Government of Saskatchewan

Annual Report 2005-2006

Saskatchewan
Agriculture and Food

106-06966/

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This annual report is also available in electronic format from the department's website at **www.agr.gov.sk.ca**.

Letters of Transmittal

July 2006

Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Your Honour:

As Minister of Saskatchewan Agriculture and Food, it is my pleasure to submit the annual report for the twelve months ending March 31, 2006.

Respectfully submitted,

The Honourable Mark Wartman
Minister of Agriculture and Food

July 2006

The Honourable Mark Wartman
Minister of Agriculture and Food

Sir:

I wish to present to you the annual report of Saskatchewan Agriculture and Food for the fiscal year ending March 31, 2006.

Respectfully submitted,

Harvey Brooks
Deputy Minister

Introduction

The 2005-06 Annual Report of Saskatchewan Agriculture and Food (SAF) describes actual departmental results for the key actions and performance measures that were published in the 2005-06 Performance Plan. The report also describes results associated with the key actions included in the Budget and Performance Plan Summary for 2005-06, the government-wide plan released with the 2005 Budget.

The format and content enhancements to this year's annual report are consistent with the Government's Accountability Framework, its system of planning, measuring and reporting. The 2005-06 Annual Report provides information about and analysis of the performance results obtained, including comparisons to historical trends and assessments of how they contribute to the longer-term outcomes the department seeks to achieve. This reporting of actual year-end results – both financial and performance – as compared to the plan released a year earlier, increases the department's accountability to the public.

The department's 2005-06 Performance Plan was released with the provincial budget on March 23, 2005. It may be found at www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0506plan.pdf.

The government-wide Budget and Performance Plan Summary for 2005-06 is available at www.gov.sk.ca/finance/budget/budget05/budgetsummary.pdf.

The department's 2006-07 Performance Plan was released with the provincial budget on April 6, 2006 and can be obtained at www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0607plan.pdf.

Who We Are

The mandate of the department is to foster a commercially viable, self-sufficient and sustainable agriculture and food sector. Working with individuals, businesses, communities and governments, the department assists farmers and ranchers, encourages higher value production and processing and promotes sustainable economic development in rural Saskatchewan.

Through these efforts, the department seeks to achieve its vision of "A thriving agricultural sector that contributes to an enhanced quality of life for all Saskatchewan residents."

In pursuit of this vision and to deliver on its mandate, SAF provides programs, technical support and specialist services to encourage the expansion of the livestock sector, diversification to higher value crops, growth in irrigated acreage, and the development of the organic production sector. A key and complementary aim is the encouragement of additional processing in Saskatchewan of this broad range of primary agricultural production. SAF also works to ensure livestock projects are developed in an environmentally sustainable manner, disease surveillance occurs and that farm quality assurance programs are developed to ensure the production of safe food.

The Agriculture Knowledge Centre (AKC) in Moose Jaw and nine regional Agriculture Business Centres (ABCs) are key components of the department's restructured delivery model, which reflects the emerging trends in information and technology transfer to farmers. The AKC has enabled the department to be less reliant on local offices for information and technology transfer, while maintaining high-quality service delivery. It is linked with other provincial and regional specialists throughout the department. The ABCs engage in three interlocking functions dealing with building community capacity, supporting agri-business development and building technical capacity for competitive value chains.

SAF administers approximately 7.3 million acres of Crown land that is leased to farmers and ranchers or operated as community pastures, which includes:

- 5.9 million acres of leased land classified as agricultural (cultivated, forage and native); and
- 1.4 million other acres composed of:
  - 31,049 acres of non-agricultural land such as oil and gas leases, quarry, public and commercial land;
  - 63,869 acres of land under agreement for sale;
  - 839,442 acres of provincial pasture land;
  - 440,123 acres of Prairie Farm Rehabilitation Administration (PFRA) land; and
  - 49,898 acres of vacant land.

Of the total area of Crown land administered by SAF, 3.4 million acres of uplands and wetlands, representing one-third of all wildlife habitat in the agricultural region, is reserved from sale and has specialized development restrictions under *The Wildlife Habitat Protection Act*. These natural areas make a significant contribution to maintaining existing wildlife populations and biodiversity across the agricultural region of Saskatchewan.

The department collects revenue of approximately $27.5 million from Crown land (excluding revenues received under the Pastures Revolving Fund). This total includes rent on cultivation, hay and grazing leases, net proceeds of Crown land sales, petroleum and gas leases and other land revenues and administration fees.

SAF regards research and development as essential components of our strategy to help achieve the long-term viability and growth of the agricultural production and processing industries. The department provides significant third-party funding for research and development. A major portion of these resources is provided to various faculties and centres of the University of Saskatchewan or to research institutions located near the University. This wide ranging group of research, animal health and developmental institutions includes Ag-West Bio Inc., the Crop Development Centre of the University of Saskatchewan, the Organic Agriculture Centre of Canada, the Prairie Agricultural Machinery Institute, the Prairie Diagnostics Centre, the Prairie Swine Centre, various departments of the University of Saskatchewan and the Vaccine and Infectious Disease Organization. These institutions play an essential role in delivering on the department's mandate to foster a commercially viable, self-sufficient and sustainable agriculture and food sector and in the encouragement of higher value production and processing. As a condition of the research and development contracts and agreements, these institutions provide accountability to SAF for the funding received.

SAF is also working with the organic industy to capture the growing opportunities there.

The department funds ongoing risk management programs to assist producers in offsetting risks in crop production, stabilize income and deal with economic disasters. Production insurance on a wide range of annual crops and crop classes and on forages (covering conventional, irrigation and organic production practices), as well as weather based insurance products, is provided through the Saskatchewan Crop Insurance Corporation (SCIC). Income stabilization and disaster assistance is provided through the Canadian Agricultural Income Stabilization (CAIS) Program. This program is jointly funded by the federal and provincial governments and is delivered in Saskatchewan by the Government of Canada. Although program guidelines are subject to federal-provincial-territorial agreement, the federal administration determines specific program delivery parameters and administrative processes.

Saskatchewan signed the Agricultural Policy Framework (APF) Agreement with the federal government and entered into the APF Implementation Agreement during the 2003 calendar year. These agreements establish funding commitments and programming in the areas of business risk management, food safety and food quality, science and innovation, environment and renewal that the department and/or the federal government will deliver to Saskatchewan producers during the period ending March 31, 2008. The department expects that it will invest more than $1 billion in the agricultural sector over this period in order to implement the APF.

A well informed and highly skilled staff is vital to achieving SAF's strategic goals. A number of programs and policies have been implemented recognizing SAF's need to recruit and retain skilled individuals. This objective is pursued in conjunction with the goals established in the department's Workplace Diversity Plan.

SAF provides timely, relevant and valuable information to producers and other stakeholders. Information is disseminated through numerous publications and fact sheets, the department website, television and radio programs and interviews and newspaper articles. Key publications include: *Agriview*, a newsletter delivered directly to 50,000 farm and rural households around the province every month; *Crop Report*, a weekly summary of Saskatchewan crop conditions and precipitation during April-November; *StatFacts*, periodic statistical bulletins on a variety of topics including crops, livestock and farm finance; *Market Trends*, a weekly report of prices and marketings for grain, hogs and cattle; *Cattle Marketings*, a monthly and annual summary of Saskatchewan cattle marketed and prices; and *Agricultural Statistics Fact Sheets*, a summary of provincial statistics produced in 10 languages. Historical agricultural statistics for the province are also available under the category "Statistics" on the department's website.

SAF also has a presence at major trade shows, including the Western Canadian Crop Production Show, Western Canada Farm Progress Show, Canadian Western Agribition and many local events throughout the province. Additionally, the Minister, Deputy Minister and department officials and staff undertake numerous speaking engagements and presentations at industry events. These activities foster mutual awareness of issues and concerns and help ensure the policies, programs, and services of the department are highlighted and understood.

In addition to activities led by the department, SAF is a participant in the provincial Safe Drinking Water Strategy, which is led by Saskatchewan Environment. Our role in water management centers on the relationship between agricultural activities and water resources. SAF protects drinking water source supplies through research and technology, regulatory and transfer programs.

Stakeholder Consultations

SAF is keenly aware that our agricultural production and processing industries operate in an extremely dynamic and competitive environment that requires them to evolve and adapt to the challenges and opportunities of a rapidly changing world. As such, our strategic planning must take into account the current state of the industry, the longer-term trends and emerging opportunities. Part of that process of understanding the agricultural environment includes continuous dialogue with producers and producer organizations. The following organizations and groups have a primary interest in working with the department to improve the agricultural sector and the rural economy.

Farm Leaders Advisory Group (FLAG)

FLAG consists of approximately 60 individuals representing general farm groups, commodity organizations, policy committees and other agricultural stakeholders such as agri-businesses and research/educational institutions. FLAG works with the Minister and the department to define the broad issues that are affecting the industry, and collectively develop strategies to address those issues.

Farm Support Review Committee (FSRC)

The FSRC was reappointed to another two year term in January of 2005. The FSRC comprises 19 members appointed by the Minister of Agriculture and Food to provide feedback and input to the government on safety net/business risk management issues. Membership on the FSRC consists of eight representatives of farm organizations and 11 members-at-large who are appointed from across the province to maintain gender and regional balance on the committee.

The Livestock Loan Guarantee Program Producer Advisory Committee

This 11-member Producer Advisory Committee is made up of representatives from the cattle industry (regionally), the bison and sheep industries (provincially) and the lending sector. In addition to recommending program changes to government, the Committee ensures that producers' and lenders' needs and concerns are brought forward in discussion with government on program policy and general operating guidelines.

Commodity Development Boards/Commissions

Producer organizations, including the Saskatchewan Pulse Growers, Sask Pork, Saskatchewan Canola Development Commission, Saskatchewan Mustard Development Commission, SaskFlax, Saskatchewan Alfalfa Seed Producers Development Commission, Saskatchewan Forage Seed Development Commission, Canary Seed Development Commission of Saskatchewan, Saskatchewan Beekeepers Development Commission and the Saskatchewan Herb and Spice Association are consulted regarding program development and delivery. They also provide critical support for programming and service delivery on specific problems.

Agriculture Development Fund Board

This 14-member board assists in determining objectives for the fund, making recommendations for the development and revision of research and development programs and reviews project and program proposals. Proposals must be submitted by April 1 of each year.

Canada-Saskatchewan Agri-Environmental Advisory Council

This 15-member Council is composed of experienced and respected producers and was established in 2004 to guide APF environmental programming design and delivery. It met four times during the year and endorsed the governance structure, main program elements and the delivery agent for individual Environmental Farm Plans. The Council may also be asked to advise on agri-environmental issues outside of APF programming.

Industry Organizations

SAF has made a major commitment to ongoing consultations and regular meetings with a wide range of producer and agri-business organizations, such as the Saskatchewan Association of Rural Municipalities, the Agricultural Producers Association of Saskatchewan, the Saskatchewan Stock Growers Association, the Saskatchewan Cattle Feeders Association, the National Farmers Union, the Saskatchewan Organic Directorate, the Saskatchewan Agrivision Corporation Inc., the Saskatchewan Food Processors Association, the Canadian Wheat Board and many others. These meetings are essential for understanding the needs and concerns of the industry at any given time and are often a way of discussing potential policy initiatives. The Minister also meets with numerous other organizations and individuals within the agri-food sector.

Department Organization

At the beginning of the 2005-06 fiscal year, SAF had 841.1 full-time equivalent (FTE) positions at 26 communities throughout the province, with the head office located in Regina. The location of the department's Agriculture Business Centres, the Agriculture Knowledge Centre, Lands Branch Offices, other field offices and Saskatchewan Crop Insurance Corporation (SCIC) offices are included in the following list:

Assiniboia, Davidson, Estevan, Humboldt, Kindersley, LaRonge, Leader, Melville, Moose Jaw, Moosomin, Nipawin, North Battleford, Outlook, Preeceville, Prince Albert, Raymore, Regina, Rosetown, Saskatoon, Shaunavon, Swift Current, Tisdale, Turtleford, Watrous, Weyburn, Yorkton.

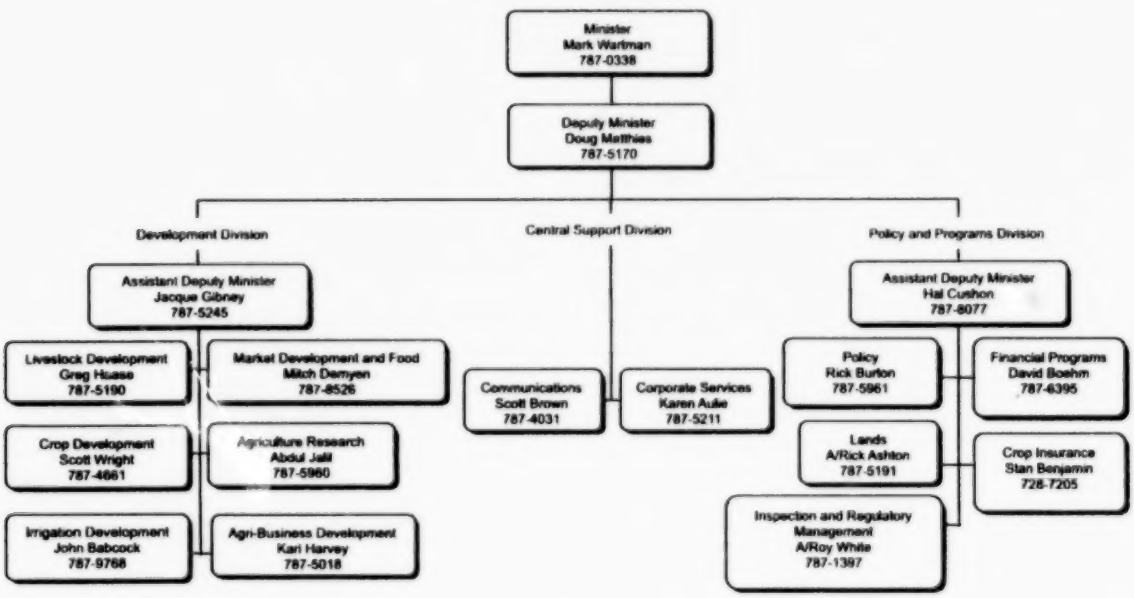
The following is a breakdown of the FTE positions at the beginning of the fiscal year:

Central Management and Services Minister and Deputy Minister's Office, Corporate Services Branch	**37.0**
Land Management Lands Branch	**42.1**
Livestock and Veterinary Operations Inspection and Regulatory Management Branch	**39.0**
Policy and Planning Communications and Policy Branches and Business and Information Technology Services	**49.7**
Agriculture Research Agriculture Research Branch	**12.5**
Agriculture Development and Technology Transfer Agri-Business Development, Crop Development, Livestock Development and Market Development and Food Branches	**159.5**
Investment Programs Financial Programs Branch	**58.7**
Revolving Funds[1]	**124.1**
SCIC	**318.5**
Total (Organization)	**841.1**

[1] *Revolving Funds consist mostly of seasonal employment for the Saskatchewan Pastures Program and Livestock Inspection Services.*

Saskatchewan Agriculture and Food is composed of three major divisions: Development Division, Central Support Division and Policy and Programs Division, which includes Saskatchewan Crop Insurance Corporation (SCIC).

Saskatchewan Agriculture and Food
March 31, 2006*



* *As of June 1, 2006, Harvey Brooks became Deputy Minister of Saskatchewan Agriculture and Food.*

2005-06 Results At A Glance

Key highlights of industry and SAF's 2005-06 performance and financial results are contained in this section. Many of these results continue to be directly impacted (positively as well as negatively) by weather and international market disruptions.

Saskatchewan farmers harvested a record 30.7 million tonnes of the major grains, oilseeds, and specialty crops for the 2005 crop year. Production was 29 per cent above the 10-year (1995-2004) average of 23.8 million tonnes, and 17 per cent above 2004 production of 26.2 million tonnes. Unfortunately, the quality of the 2005 crop was below average, with the exception of the oilseeds, due to prolonged and extensive rainfall during harvest. In comparison, hay production was above average in output and generally good to average in quality.

Increased domestic (and world) output along with continued strengthening of the Canadian dollar weighed on crop prices throughout the year.

During the year, the cattle sector began to rebound from Bovine Spongiform Encephalopathy (BSE) induced economic stresses, including the loss of access to the United States (U.S.) market. An important development in this recovery was the opening of the U.S. market to live cattle under 30 months of age in mid-July 2005. Market returns remained steady for the hog sector for the first five months of the fiscal year and then weakened from that point onward.

Despite these mixed developments, the department achieved several successes that furthered the development and progress of the provincial agricultural sector and the people and families that make up the industry.

Summary of Performance Results

A summary of the most important results achieved by SAF in respect to the goals identified by the department in its 2005-06 Performance Plan follows. More detailed information on the results associated with all key actions and performance measures is provided in the next section.

Goal 1 – Prosperous, Sustainable, Agricultural Production and Processing Industries

- Supported increased production and finishing of slaughter steers and heifers compared to the 1999-2003 five-year average. During calendar 2005, 261,990 animals were marketed by Saskatchewan producers. This represents a 50 per cent increase over the five-year average of 174,316 head, but is down from the almost 307,000 head marketed in 2004.
- Contributed to a three per cent increase in total hogs marketed in the province during calendar year 2005 to 2.48 million animals.
- Assisted in national efforts to reopen the U.S. market to live cattle and, up to the point of this partial reopening, continued programming which aided beef producers in dealing with the economic impact of BSE.
- As of January 1, 2006, beef cow population numbers were 1.6 per cent higher compared to a year earlier and more than 18 per cent above the (pre-BSE) level of January 1, 2003. The U.S. restriction on the import of animals to those below 30 months of age has had a continued, negative impact on cow prices and has led to further retention of these animals.
- Contributed to a five per cent increase in the dollar value generated per acre of crop produced. This increase can largely be attributed to improved crop yields and quality compared to 2004, which offset weaker crop prices.
- Encouraged a seven per cent increase in primary agriculture's and select agri-value activities' Gross Domestic Product (GDP) during the 2005 calendar year. As a result, the

combined industry's share of provincial GDP rose to 7.7 per cent.

- Issued 30 approvals under *The Agricultural Operations Act*, representing an estimated $28.7 million in total capital construction costs.

- Made one initial payment of approximately $630,000 under the Saskatchewan Meat Processing Investment Rebate Program, representing a 15 per cent rebate on construction costs of new plant construction.

- Experienced a further reduction in summerfallow area as a percentage of total provincial cultivated land. This ratio declined to 13.9 per cent, compared to 14.9 per cent in 2004.

- Utilizing the Provincial Council of Agriculture Development and Diversification Boards (PCAB) as the delivery agent, provided 396 initial Environmental Farm Planning (EFP) workshops and 337 second level workshops since the beginning of 2005. A total of 6,252 farm units participated in the first level, while 3,960 continued to the second level and developed environmental farm action plans. A total of 3,192 action plans were anonymously reviewed and approved by peer review committees.

- Provided approximately 30,400 customers with yield loss insurance on 25.0 million annual crop acres (representing 70 per cent of the 35.8 million seeded acres) and nearly 570,000 tame forage acres (representing 14 per cent of the total). Weather based insurance products insured an additional 3.2 million acres.

- Fully funded the provincial share of the Canadian Agricultural Income Stabilization Program for the 2004 and 2005 claim years with additional financial appropriations of $154.8 million in aggregate.

Goal 2 – Strong, Resourceful, Rural People, Families and Communities

- Responded to 17,015 technical and general inquiries through the Agriculture Knowledge Centre, a one per cent increase over the number of previous year inquiries.

- Assisted 652 farmers/farm families in accessing the Farm Business Assessment Program, which provides consultation services for farm financial assessment and the preparation of a farm action plan.

- Assisted 928 farmers and their spouses in accessing the Canadian Agricultural Skills Services program. The purpose of this program is to enable farm families to improve family income through improved farm practices and building new agricultural enterprises; building new rural business ventures; or through obtaining employment income.

Summary of Financial Results

The 2005-06 department budget was $265.06 million. The department also received Special Warrants authorizing a $159.10 million expenditure increase, making total available funding $424.16 million before allowance for capital asset acquisition and amortization, and $424.19 million once those items are taken into account. Total SAF expenditures for the 2005-06 fiscal year including acquisition of capital assets were $422.39 million, resulting in a variance of -$1.80 million.

The following table provides a summary of actual expenditures:

SAF Expenditures		**Actual**
		($ thousands)
Personal Services	$	**21,169**
Supplier and Other Payments	$	**14,674**
Transfers to Individuals	$	**338,670**
Transfers for Public Services	$	**47,877**
2005-06 Expenses	$	**422,390**

SAF required special warrants – primarily as a result of the decision of the Government of Saskatchewan to ensure funding to cover full payments on Saskatchewan's share of producer payments under the 2004 and 2005 CAIS Program.

Details concerning these expenditures are included in the section titled Special Warrant Funding.

Risk Factors

Several key risk factors continuously and directly affect Saskatchewan's agricultural industry. The appropriate management of these factors by the industry and by SAF is essential, if agriculture in Saskatchewan is to be successful in the long-term. The following ongoing key risk factors are identified:

- Saskatchewan's competitive ability in world agricultural markets;
- Maintenance of environmentally sustainable and commercially viable agricultural production and processing industries; and
- Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher value products.

Saskatchewan's competitive ability in domestic and world agricultural markets

- Saskatchewan's agricultural production and processing industries are mainly export orientated. A more open and less distorted trading environment is most suitable for such industries and must be pursued by the province and by industry in domestic discussions and international negotiations.
- The department must continuously develop and maintain effective provincial and national government links; similarly, industry must develop and maintain domestic and international business links and partnerships. The provincial industry must ensure it can successfully diversify into new markets and adapt to changing market conditions and trade rules.
- Agricultural production and processing industries need to keep pace with and ideally strive to lead in regard to commercial trends and technological developments, particularly those that impact their global competitive position.
- Research needs to be adequately funded by the public and private sector and appropriately directed to address both cost of production pressures and consumer demands.
- Consumer confidence in food and animal health and safety and quality must be maintained and enhanced. Saskatchewan's agricultural production and processing industries must maintain a good reputation and be well-known domestically and internationally.
- Agricultural production and processing industries must be able to attract people with ingenuity, resources and business initiative needed for the agricultural economy to thrive and grow.
- The department needs to play an appropriate leadership role in establishing overall agricultural policy and direction that encourages investment and growth.

Maintenance of environmentally sustainable and commercially viable agricultural production and processing industries

- Commercially viable agricultural production is expected to occur under safe and sustainable environment conditions. SAF, working with other provincial and federal departments and agencies, must provide the oversight, regulation and programs needed to ensure this occurs.
- Producers need to have access to adequate financial and personal support systems and to the tools and resources they need to develop and prosper.
- Business risk management programs (e.g., income stabilization programs) must be adequate, while encouraging producers, businesses and rural communities to respond effectively to changing market conditions.
- The department must identify stakeholders' needs and develop policies and programs that help to ensure the sustainability and viability of provincial agricultural production and processing industries.

Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher-value products:

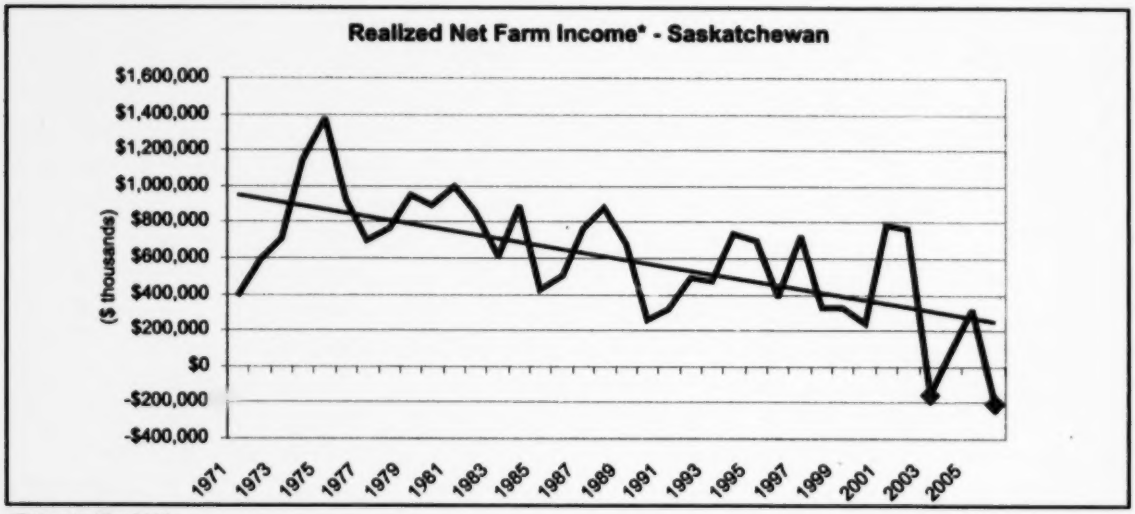
- The department needs to help provincial agricultural production and processing industries identify new business opportunities and work with them to develop strategies to take advantage of those opportunities.
- The department needs to help the agricultural production and processing industries find new ways to produce and market higher value products.
- The department may need to provide innovative and targeted financing to production and processing industries to encourage diversification and higher value production.

The 2005-06 fiscal year saw the continuation of several challenges that have affected the agricultural industry over the medium term. Farmers and ranchers also realized several successes in the past year. These include the production of a record crop, the removal of U.S. anti-dumping duties on Canadian hog exports and the opening of the U.S. cattle market to Canadian exports of live animals of less than 30 months of age.

Ongoing challenges include:

- Declining aggregate profit margins, resulting from soft or declining crop commodity prices, rising input costs and continued appreciation of the Canadian dollar.
- Adverse weather conditions, which for 2005-06 took the form of cool, wet fall weather. This delayed and downgraded the harvest in many areas. Large areas of north-eastern Saskatchewan were inundated with rain, which was compounded by above average winter snowfall. A significant amount of crop in this area was not harvested in the fall, leading to further quantity and quality losses and expected disruptions to normal spring seeding operations.
- A distorted international trade environment which promotes overproduction and exacerbates pressures on commodity prices, thereby worsening the historic downward trend that farmers already must deal with and adapt to.
- Continuing restrictions on access to the U.S. cattle and beef market, which remains closed to live Canadian cattle over 30 months of age and beef products from such animals.

Although the Saskatchewan agricultural sector historically is very resilient and has proven its ability to weather such issues in the past, many individual farmers and ranchers find it increasingly difficult to maintain an optimistic outlook. Not only have a large number of adverse factors converged, but many also are beyond their control or influence.



Estimated for 2006

Source: Statistics Canada, except for the 2006 realized net farm income forecast, which is provided by Agriculture and Agri-Food Canada

Declining aggregate profit margins and realized net farm income (RNFI)

Aggregate RNFI has been in a clear downward trend that began in the mid 1970s. Over this period, 2003 was the worse year reported. This stemmed from the 2002 drought, which reduced crop marketings in 2003, and the discovery of BSE, which directly affected the cattle and other ruminant sectors while indirectly affecting other livestock sectors.

For 2005, Saskatchewan farm incomes remained below normal. The reported $316 million in RNFI that was achieved was a result of significant program payments totalling $1,422 million. For 2006, income is expected to drop significantly. According to the Agriculture and Agri-Food Canada (AAFC) Farm Income Forecast, aggregate RNFI for Saskatchewan is projected to be negative, falling to -$203 million for 2006.

In addition to the clear and long-term downward trend, greater annual fluctuations in incomes may be noted in recent years. This is evidence of major factors that have affected the agriculture industry for those years. The impact of several key factors is summarized in the following paragraphs.

Low commodity prices:

Saskatchewan farmers are price takers in an international marketplace for many of the commodities they produce. Consequently, prices received are directly influenced by a number of external global factors, including the size and quality of foreign production, global stocks and international subsidies. In addition, Saskatchewan's export market orientation means net commodity prices are influenced by ocean freight rates and domestic transportation costs. Positive or negative changes in these factors directly affect net prices and returns to producers.

Grain crops:

The 2005-06 crop year was another good year for world grain and oilseed production, though not quite the record of 2004-05 for production. Global output of wheat was 622 million metric tonnes, seven per cent higher than the previous five-year average. Global production of corn (which competes with Saskatchewan feed grains) was 11 per cent higher than average, and international production of soybeans (a competitor to canola) was up 15 per cent from the five year average. The 2005-06 wheat and corn crops were slightly smaller than the 2004-05 crops (99 per cent and 97 per cent, respectively) which helped to provide some support to prices. Soybean production in 2005-06 was slightly higher than the previous year; exceeding 2004-05's production by two per cent.

Commodity Prices ($/tonne)				
Crop	2001/02 - 2005/06 Five-year average	2005/06 Crop Year (estimate)	2006/07 Crop Year (forecast)	2006/07 as a % of average
Wheat (#1)	173	164	164	95%
Durum (#1)	178	130	125	70%
Barley (malt)	143	111	102	71%
Barley (feed)	103	69	70	68%
Canola	313	233	245	78%
Peas	202	130	135	67%

Source: SAF

It is predicted that crop production of wheat and corn could be further reduced in 2006-07 due to adverse U.S. growing season weather and poorer Ukraine, Kazakhstan, and Russian winter wheat crops. Such an outcome would further strengthen those crop prices in the coming year, while soybeans are to continue to feel some pressure from relatively strong and stable global production.

Because of the global production and other factors (such as a strong Canadian dollar), estimated Canadian 2005-06 crop prices are lower than the previous five-year average price for all major crops. The forecast for 2006-07 does not show many signs of improvement.

Although there have been global gains in commodity prices, these have been offset in Canada by the continued appreciation in the value of the Canadian dollar against the U.S. dollar. The value of the Canadian currency has risen an additional four per cent from the beginning to the end of the fiscal year. This increase came on top of an eight per cent rise that occurred over the previous year.

The prices for top grades of the main crops along with comparisons to previous years and the previous five year average are illustrated in the table at the top of this page.

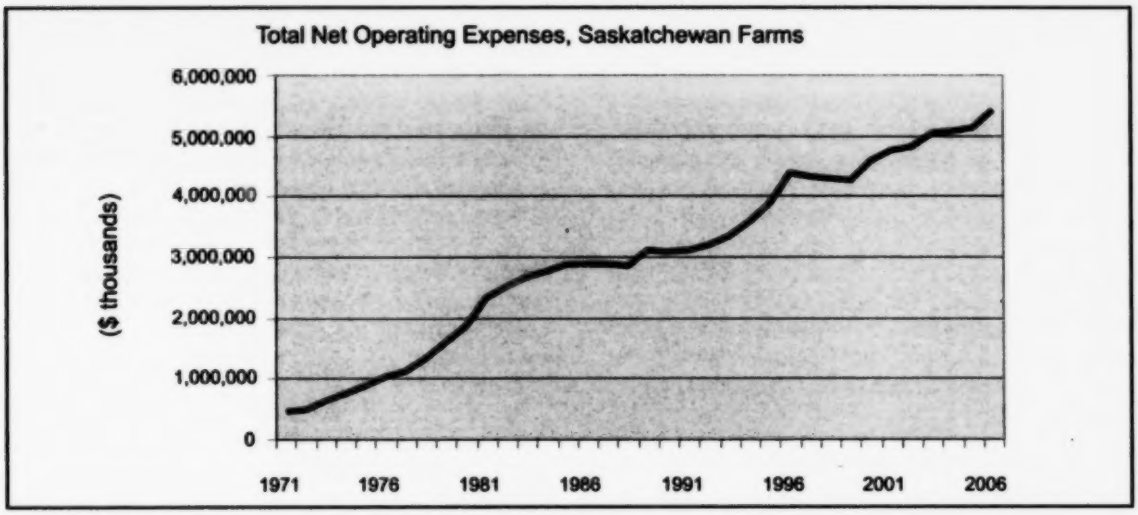
Livestock:

The partial reopening of the U.S. border in 2005 provided some support to cattle markets. The demand for live young animals by U.S. packers, combined with increased domestic slaughter capacity and strong demand for beef, led to higher prices for "A" grade steers in Canada. As illustrated in the table below, the average price for "A" grade steers was 11 per cent higher in 2005-06 over 2004-05, but remained below the 2000-01 to 2004-05 average price. In addition, continued U.S. market restrictions on Canadian live animals 30 months of age or older and meat from these animals continue to hold their prices well below normal levels. Average D1, D2 cow prices in 2005-06 increased from 2004-05 levels by 32 per cent, but remain 34 per cent below the 2000-01 to 2004-05 average.

The gradual resumption in global beef trade throughout 2005 negatively affected demand for pork. As Canadian and U.S. beef was shut out of global markets for much of 2004 and 2005, world-wide demand for pork was strong and so were prices to Canadian producers. During fiscal 2005-06, Index 100 hog prices in Saskatchewan stayed up for the first five months, but began to fall in September, largely due to increased North American supplies and softer export demand for North American production. The annual average price for the year was down 15 per cent from the 2004-05 average, and eight per cent below the average price for 2000-01 to 2004-05.

Livestock Prices (average, fiscal year)				
	2000/01 - 2004/05 Five-year average	2004/05	2005/06	2005/06 as a % of average
A Steers $/cwt	90.43	75.22	83.70	93%
D1-D2 Cows $/cwt	46.32	23.23	30.77	66%
100 Index Hogs $/ckg	145.55	156.93	133.76	92%

Source: SAF (Fiscal year runs from April 1 – March 31)



Source: Statistics Canada. 2006 is an estimate by AAFC in their Farm Income Forecast.

Rising input costs:

Total operating costs for Saskatchewan farmers continue to rise, despite economic difficulties for many farm operations. This suggests major farm suppliers are able to pass higher costs to their clients. However, most farmers are not able to pass on their rising costs of production to the consumer, with the result that already stressed farm margins continue to decline.

Between 1995 and 2005, Saskatchewan farm operating costs rose by approximately 32 per cent. AAFC estimates an additional five per cent increase will occur in 2006.

In 2005, the top four expense items for Saskatchewan farmers were fertilizer, pesticides, fuel and machinery repair. Fuel and fertilizer costs alone reached a combined total of nearly $1.34 billion for the year, up 17 per cent from 2004 levels. As natural gas is one of the primary inputs for fertilizer production and crude oil costs are directly represented in fuel prices, continuing high or rising fossil fuel prices will remain a significant influence on agricultural industry expenditures.

Adverse crop quality:

The 2005 growing season was markedly better than 2004, when abnormally cool and wet conditions, combined with an early frost and snowfall, caused a significant decline in the quality and value of field crops. A storm that swept across a large portion of the central and east-central grain belt on September 9 and 10 dumped excessive moisture on crops. Severe flooding was evident in localized areas, resulting in some crops being damaged or destroyed.

Despite this damage, it is estimated that farmers harvested 30.7 million tonnes of the major grains, oilseeds and specialty crops for the 2005 crop year. This estimate is 29 per cent above the 10-year average of 23.8 million tonnes and 17 per cent above the 2004 production of 26.2 million tonnes. The above average output is due to a record harvested area, as well as above average yields for almost all crops. Hay yields were also well above the 10 year average with good to excellent quality throughout most of the province.

Unfortunately, heavy snowfall across central and north eastern regions of the grain belt exacerbated the impact of severe rainfall last fall. During the spring melt, flooding in many areas continued. A significant portion of the crops left unharvested from the fall of 2005 were ultimately destroyed. Excessive moisture conditions also jeopardized the seeding of 2006 crops in affected areas.

Global and U.S. agricultural policy:
Foreign subsidies continue to promote overproduction, which pressures global prices downward. This environment has worsened with the reinstatement of European Union (EU) export subsidies. Barriers to trade are also having a negative effect. In 2003, the U.S. applied countervail and anti-dumping duties on Canadian spring wheat exports, which remained in place throughout 2004, despite challenges to and appeals of the U.S. decision. The duties also remained in place for much of 2005. They were eventually eliminated in October of last year, when the U.S. International Trade Commission (ITC) found that Canadian hard red spring wheat exports were not injuring U.S. producers.

In addition, anti-dumping duties of more than 14 per cent were applied to Canadian live hog exports to the U.S. in 2004. While these duties ultimately were reversed in April of 2005, the Canadian legal defence and disruption to trade was costly. The trade action also inhibited further growth and integration of the Canadian and American industries, although hog trade has been reverting to normal flows.

In July of 2005, the U.S. border reopened to live ruminant animals from Canada under certain age limits (i.e. under 30 months for cattle). There were very prescriptive conditions attached, but our largest, most convenient and highest value export market was now partly accessible.

By the end of March 2006, approximately 900,000 live bovine animals were certified eligible for export to the U.S. With excess packing capacity in that country, the demand for Canadian cattle has been strong. In Canada, packers could no longer access the same quantity of live young animals, so processes were shifted to handle older animals for the domestic market. This higher demand for D1 and D2 cows in Canada strengthened prices somewhat, but the excess supply of these animals has held prices in check.

Major impediments to open cattle and beef trade with the U.S. remain. U.S. law continues to prohibit imports of cattle and beef products from animals over 30 months of age, as well as animals for on-farm breeding. The same remains true for other ruminant animals, such as bison. Changes in U.S. regulations that will allow access for these animals and products are not expected until sometime in 2007. However, the potential exists for further delays and trade disruptions. Some U.S. producers and the Montana based farm group, R-Calf USA, continue to lobby for and examine legal options that may again close the U.S. market to Canadian trade.

Other nations, such as Japan, partially reopened their markets to beef from Canada and the U.S. in 2005, and markets like Korea and Indonesia are in the process of reopening.

One outcome of this trade disruption with the U.S. is that the Canadian and Saskatchewan meat processing sector is much stronger than before. Slaughter and processing capacity has increased in the province. Nationally, Canada is now self-sufficient in cattle slaughter capacity and has the ability to slaughter all market ready animals in the event of a future international embargo on Canadian cattle exports.

2005-06 Performance Results

The following section provides detailed information on the progress SAF has made toward achieving our goals and longer-term objectives. The key actions originally presented in our 2005-06 plan are listed below, followed by a report on actual progress for each. Actual results information is included for all key actions and performance measures that were published in our 2005-06 Performance Plan, as well as for all commitments related to Saskatchewan Agriculture and Food in the government-wide Budget and Performance Plan Summary for 2005-06.

Goal 1 – Prosperous, sustainable, agricultural production and processing industries

Objective 1 – Increased livestock production and diversification to higher value crops

One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry, particularly the cattle and hog sectors. Increases in such livestock production have the potential to encourage expansion in our domestic meat processing sector. An increase in the value of production per acre of crop land will also result in a larger rural economy and contribute to employment in rural Saskatchewan. This increase may be achieved through higher yields, more intensive use of land and the growing of higher value crops.

Steady progress was made toward the objective of increased livestock production and diversification to higher value crops in 2005-06. Sales in 2005 of slaughter steers and heifers were 50 per cent above the 1999-2003 average at 261,990 head, though were down from the 307,000 sold during the previous year. Beef producers increased their cow herd to 1.56 million head as of January 1, 2006, up about two per cent over 2005. This increase is primarily a result of the continued, lower cow herd culling, due to reduced prices for these animals compared to the pre-BSE environment. In comparison, an increase of almost eight per cent occurred in 2005. Further increases or even current record numbers may not continue into the longer-term if U.S. markets eventually reopen to older animals and meat produced from such animals.

The number of hogs marketed in the province during 2005 grew by three per cent to 2.48 million animals. By the end of the fiscal year, Saskatchewan pork producers had increased the breeding herd by 1.4 per cent to 130,800 sows and gilts. However, total hogs on farms were 1.18 million head as of January 1, 2006, a decline of 2.4 per cent compared to the year earlier.

During 2005, the value of crop output per acre, as calculated by SAF, rose to $73.01, up five per cent from the $69.54 per acre estimated for the previous year.

To help realize the objective of increased livestock production and diversification to higher value crops, the department has identified nine key actions. These actions are to:

- Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises;
- Implement strategies to attract new people and investment to the livestock industry;
- Provide livestock and crop development information and services;
- Provide crop disease and pest surveillance;
- Develop an irrigation strategy in co-operation with federal, provincial and industry counterparts that is sustainable and is consistent with other water development concerns and corresponding strategies;
- Assist the continued growth in the organic sector through further development of certification processes, markets and investment in production research;
- Pursue increases in Saskatchewan's production quota allocation for targeted supply management commodities;
- In co-operation with the federal government, pursue improvements in the rules governing international market access and continue our response to trade protectionist actions; and

- Manage agricultural Crown land and develop options for best use of asset.

The activity by SAF and the results associated with each of these key actions follows.

Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises [2005-06 planned result]

- SAF continued to provide assistance to community groups that are examining the economic feasibility of expanding beef production capacity in the province. A provincial commissioned study entitled *Saskatchewan Pre-Feasibility Beef Business Analysis: A Guide to Developing Beef Production Capacity in Saskatchewan*, was used by interested groups to do some initial analysis on the possibilities of such an initiative for their communities. The department also published a labour cost comparison for the three prairie provinces and initiated a survey of meat processors in western Canada to identify key issues affecting expansion or new developments.

- SAF continues to work with feedlot and cow calf operators that are seeking to establish or expand their activities in the province. Department staff prepared an overview of barriers to livestock development in the province, which identifies and prioritizes issues that need to be emphasized. A survey on transportation issues facing such operations was also conducted.

- For the fiscal year, 30 approvals were issued under *The Agricultural Operations Act*, compared to 29 during the year earlier. The capital construction costs for the approvals issued are estimated at $28.7 million, compared to $22.5 million for 2004-05. Although some additional activity and expenditures can be noted, the current year's number is below the 31 approvals issued, representing $38 million in capital value, for 2003-04.

Project support offered by the department for new and expanding livestock enterprises can only be successful if the regulatory and technical infrastructure is in place. During the 2005-06 fiscal year [Previous year statistics are denoted in parenthesis ( )], the department:

- Provided livestock inspection services at 41 (40) auction markets, 21 (23) feedlots, one (two) slaughter plant and 10 (eight) abattoirs;

- Inspected 1,899,530 (1,550,645) animals on 139,902 (114,369) manifests and provided brand verification for 178,955 (179,234) animals;

- Documented livestock movement through the issuance of 53,622 (48,902) permits; and

- Issued eight (12) new licenses for game farm activity. Total licensed game farm operators in the province stood at 567 (576) in fiscal year 2005-06. These operations have approximately 40,400 (43,600) game farm animals (elk, white-tailed deer, mule deer, fallow deer, big horn sheep, caribou, reindeer and moose).

Numerous initiatives also were undertaken in the crops sector. During 2005-06, the department:

- Co-ordinated the Agri-ARM Program at eight locations in the province, which targets projects focused on diversifying the predominant cropping systems. During the past year demonstrations of potential new crops included cow cockle, strawberry crowns, lupins, niger, low tannin fababeans and flax for fibre use;

- Supported long-term research designed to add value to Saskatchewan oilseed crops including their utilization for biodiesel production;

- Worked with the Prairie Feed Resource Centre on a strategic overview of the feed industry, which includes approaches that could be taken to develop this industry in Saskatchewan; and

- Continued to assist the Saskatchewan Forage Seed Development Commission, the Canary Seed Development Commission of Saskatchewan, the Saskatchewan Beekeepers Development Commission and the Saskatchewan Oat Development Commission in developing check-off plans to establish producer based development funds.

Implement strategies to attract new people and investment to the livestock industry [2005-06 planned result]

- Immigration from other provinces and countries is seen as a tool to expand the livestock and processing industries in Saskatchewan. The department again participated in the Last Cattle Frontier presentations in Alberta, which are designed to attract livestock producers to east-central Saskatchewan.

- SAF continues to work with the Department of Government Relations to assist the industry in utilizing the Saskatchewan Immigrant Nominee Program and the Foreign Workers Program to help fill gaps in their labour supply. As a result of this initiative, a Saskatchewan hog operation has recruited 12 Filipino immigrants.

- The Green Certificate Program was delivered to 47 new trainees and 46 existing trainees across Saskatchewan. Trainees were enrolled in cow-calf, field crop, feedlot, dairy and sheep production courses. SAF also worked with First Nations and delivered Green Certificate training to Chacachas First Nations, Muskoday First Nation and the Yellow Quill Development Corporation.

- SAF staff continue to work with First Nations interested in land conversion and development initiatives such as converting grain lands to forages for increased livestock production, larger, more intensive livestock operations and meat processing facilities.

- SAF also administers the Livestock Loan Guarantee (LLG) Program. This provides producers with alternative financing options for purchase of livestock or for construction of feedlot facilities. Under the association option, Saskatchewan residents establish production associations to borrow funds, on the strength of a government guarantee to the lender and the association's assurance fund. The funds are used by associations to purchase feeder and breeder cattle and sheep and feeder bison.

Activity under the Livestock Loan Guarantee (LLG) Program			
Program statistics	2003-04	2004-05	2005-06
Number of associations	120	111	104
Number of members	5,500	5,000	4,593
Loan Guarantees	$23.04 million	$27.68 million	$25.94 million
Feeder Cattle purchased (head)	87,022	89,705	88,957
Value of Feeder Cattle purchased	$68.8 million	$72.3 million	$58.08 million
Breeder Cattle purchased (head)	23,552	19,757	21,802
Value of Breeder Cattle purchased	$21.3 million	$16.6 million	$19.62 million
Feeder Bison purchased (head)	84	30	38
Value of Feeder Bison purchased	$35,300	$10,160	$13,190
Feeder Sheep purchased (head)	0	530	334
Value of Feeder Sheep	$0	$24,957	$25,000
Breeder Sheep purchased (head)	898	333	641
Value of Breeder Sheep purchased	$102,791	$26,910	$62,278

Several initiatives under the financial option were undertaken in 2005-06, including:

- The elimination of the limitation to 75 per cent of market value, for financing on feeder association purchases of members' own animals;
- The provision of the option to utilize inventory verification in lieu of payout of all feeder loans on the anniversary date. This option will enable producers to utilize the program to continuously feed animals; and
- Changes to the feeder association assurance fund requirements to reduce producer risk.

- The Feedlot Construction Loan Guarantee Option was first made available in September 2004. Under this option, loan guarantees are provided to lenders that finance the construction or expansion of feedlot facilities for feeding cattle, sheep or bison. During 2005-06, one guarantee was extended for $407,125.

Provide livestock and crop development information and services [2005-06 planned result]

- SAF livestock and forage specialists develop, update and provide numerous publications and documents which offer information and issues for consideration to producers for beef production and marketing decisions. Some examples of information pieces include those that deal with potential producer decisions to sell or retain calves, feed quality issues, and other business development decisions. SAF hosted the Growing the Livestock Industry Conference in Saskatoon in October 2005. Staff also worked to co-ordinate many other events and seminars for information and technology transfer to livestock producers.

- Provincial specialist services are provided for the range of existing and for some potentially new crops that can be grown in Saskatchewan. Specialists prepare technical materials on production and marketing, monitor and interpret research results and work with commodity organizations in identifying opportunities for development and growth. Information may be provided to producers through producer meetings, the Agriculture Knowledge Centre and through the department website.

Provide crop disease and pest surveillance [2005-06 planned result]

- The Crop Protection Laboratory provides crop diagnostic services for weeds, insects, plant diseases and herbicide resistance. The lab also houses the Dutch elm disease hot line and diagnostic service. During 2005-06:
  - The lab diagnosed 781 (897) submissions. A partial listing of submissions by category is: insect identification - 33 (27); plant diseases – 238 (326); Dutch elm disease – 304 (367); and herbicide resistance screening – 112 (103).

- A funding agreement was implemented with the Western College of Veterinary Medicine to perform disease investigations to rule out foreign animal diseases or emerging diseases in the Saskatchewan livestock population;

- The department continued the operation of the Bee Laboratory in Prince Albert to analyze bee samples for infestations of tracheal mites. Approximately 1,600 (1,400) samples were analyzed for Saskatchewan beekeepers;

- Insect surveys were co-ordinated for bertha armyworm, grasshopper and wheat midge. In co-operation with Agriculture and Agri-Food Canada, monitoring results were provided for wheat stem sawfly, cabbage seedpod weevil and diamond back moth. Most surveys are conducted on an annual basis. However, the Bertha armyworm survey results are updated weekly during the growing season; and

- Plant disease surveys were co-ordinated for fusarium wilt of canola, fusarium head blight of cereals and various wheat leaf diseases to identify their prevalence and severity within the province.

- In addition to operating the Crop Protection Laboratory, the department undertook a number of other initiatives during 2005-06 in support of this key action:

    - Organized and delivered weed inspector training clinics for the training of municipal weed inspectors;

    - Administered the provincial component of the Minor Use of Pesticides Program and provided provincial input into the national minor use initiative;

    - Supported weed control trials for chick pea, yellow and oriental mustard, flax, fenugreek, golden German millet and canary seed and disease control in cumin through the Provincial Council of Agriculture Development and Diversification Boards (ADD) provincial minor use initiative; and

    - Advanced the provincial position on the maintenance of the Own Use Import Program for glyphosate, during the federal review of this program.

Develop an irrigation strategy in co-operation with federal, provincial and industry counterparts that is sustainable and is consistent with other water development concerns and corresponding strategies [2005-06 planned result]

- An investment attraction strategy continues to be developed for irrigation "infill" and expansion in the Lake Diefenbaker region involving the Irrigation Crop Diversification Corporation (ICDC), Saskatchewan Irrigation Projects Association (SIPA), irrigation districts, MidSask Regional Economic Development Authority and Saskatchewan Agriculture and Food (SAF). The website, www.irrigationsaskatchewan.com has been established to service this strategy. ICDC also has developed a strategic plan which places more emphasis on the value-added benefits of this production technology which may be driven by irrigated production of fruits, vegetables and herbs and spices.

  The successful realization of that irrigation strategy requires that the regulatory and technical infrastructure is in place. During the 2005-06 fiscal year, the department:

    - Responded to 166 (223) inquiries on irrigation development and processes. A total of 1,386 (4,000) new acres in the province were developed at an estimated capital cost of more than $1.0 ($2.8) million.

- Irrigation Certification is required by all new irrigation projects to ensure environmental sustainability. During the fiscal year, approximately 5,900 (7,000) acres of land were investigated for Irrigation Certification. This included 3,000 (4,000) acres which were investigated for "infill" in Irrigation Districts and about 2,900 (3,000) acres which were investigated outside districts and throughout the province.

Near the end of the fiscal year, SAF established a new Irrigation Development Branch through the realignment of internal resources to be responsible for irrigation development, technology transfer and regulatory oversight. One of the purposes of the branch is to create a link between irrigation and value-added opportunities, including livestock expansion and higher value crops.

Assist the continued growth in the organic sector through further development of certification processes, markets and investment in production research [2005-06 planned result]

- SAF partnered with the Saskatchewan Organic Directorate in establishing an Organic Forum. This connects the department with officials from Regional Economic and Co-operative Development, Industry and Resources and Health, and with leaders in the organic industry. Its purpose is to establish a cohesive understanding of the sector's needs and opportunities. A related activity was the organization of a workshop to review organic research and discuss sector needs.

- SAF also entered into a Memorandum of Understanding with the Organic Agriculture Centre of Canada (OACC) to support the work of the centre in the province. A total of $250,000 was provided to support OACC's prairie office located at the University of Saskatchewan. That office's role is to identify and fund research projects, increase awareness of current research and act as a source of information for producers.

Pursue increases in Saskatchewan's production quota allocation for targeted supply management commodities [2005-06 planned result]

- SAF continues to work toward reaching an updated Federal-Provincial Agreement (FPA) for egg marketing in Canada. The objective is to secure an agreement that acknowledges Saskatchewan's comparative advantage of production and which will allow the industry in the province to grow.

During fiscal 2005-06, the department, in conjunction with the Saskatchewan Egg Producers (SEP) and the Saskatchewan Agri-Food Council, was involved in a court challenge against the Canadian Egg Marketing Agency's (CEMA) summer 2004 and annual 2005 quota orders. This action was taken by these three Saskatchewan signatories as a means to force CEMA to allocate table egg quota in accordance with federal legislation and the FPA. Because of procedural issues, the action was dismissed. However, the judge made extremely favourable comments in respect to Saskatchewan's position.

The Judge stated that the legislation is clear in that comparative advantage of production is one of the five criteria that are to be considered by CEMA when making quota allocations. Other factors cannot replace these criteria, and these criteria must be properly considered in every quota allocation. In his view, the five criteria seemed to be discussed by CEMA as an afterthought in order to ensure that the allocation could not be contested. The Judge also noted that the National Farm Products Council (NFPC) is responsible for ensuring the five criteria are given proper consideration before prior-approving any quota order.

CEMA has since withdrawn its annual 2006 quota order from the NFPC's consideration. By the end of SAF's fiscal year, the Saskatchewan signatories and CEMA were preparing for quota allocation negotiations. SAF is hopeful that a resolution to this matter can be reached in calendar 2006.

In co-operation with the federal government, pursue improvements in the rules governing international market access and continue our response to trade protectionist actions [2005-06 planned result]

- During the year, SAF staff participated in monthly and at times weekly conference calls, plus occasional face to face meetings, with federal and other provincial officials on the Federal Provincial Agriculture Trade Policy Committee (FPATPC). These discussions covered a broad range of international trade issues in addition to market access concerns. At the provincial level, a round table of industry representatives was organized and consulted through several meetings and conference calls. SAF staff accompanied the provincial agriculture minister during his attendance at the December Hong Kong World Trade Organization (WTO) Ministerial meeting.

- During 2005-06, the department, in co-operation with the federal government, responded to a number of trade protectionist actions, including:

  - Efforts to address U.S. wheat countervail and antidumping duties (overturned in October 2005);

  - Consultations through FPATPC teleconferences to address the U.S. WTO Canadian Wheat Board challenge;

  - Participation in the Canadian WTO challenge of the Byrd amendment (through which dumping duties collected are transferred to the U.S. industry participants which launch trade actions) and the Canadian WTO challenge of the European Union moratorium on genetically modified products; and

- Defending against the EU challenge seeking the removal of WTO sanctioned retaliatory measures by Canada, which were taken in response to the EU's continued embargo on Canadian beef.

Manage agricultural Crown land and develop options for best use of asset [2005-06 planned result]

- Each fall, vacant Crown land is advertised for lease. In 2005-06, a total of 260 (190) parcels containing 32,551 (24,007) acres was allocated to interested lessees.

- Vacant land which is surplus to department needs is offered for sale by tender. During the 2005-06 fiscal year, 19,029 (20,888) acres of Crown land were sold, resulting in $3.7 ($5.12) million in gross revenue, before allowance for the cost of land. Lessees acquired 15,197 (17,237) acres or approximately 80 (83) per cent of the acreage sold.

- First Nations have the opportunity to obtain Crown land under the Treaty Land Entitlement (TLE) process, in cases where third party interests to such land are settled. In 2005-06, a further 11,359 (3,933) acres were sold, generating $1,302,301 ($363,351) in revenue for the province. Since 1994, over 184,000 acres of Crown land, with a value of more than $16 million, have been sold under the TLE process.

- Conservation easements may be utilized as a means of protecting native prairie prior to Crown land tender sales. The department works with Saskatchewan Environment biologists on the pre-identification of lands for conservation easements. SAF holds 66 conservation easements on approximately 7,268 acres of land. In 2005-06, seven parcels of land were sold with a conservation easement.

- The department monitors land to determine ecological health and conducts land audits to ensure proper use. There were approximately 10,000 (10,880) acres monitored at 38 sites in the 2005 season.

- Staff completed inventory field work for 10 (seven) range plans for provincial community pastures. This activity provides a current inventory of pastures and results in digitized information which is Global Information System (GIS) compatible. The comprehensive range plan that is the end objective utilizes the gathered information on pasture state so that proper management decisions may be made. Range plans remain to be completed for 18 pastures.

- The department is in the initial stages of developing a GIS system to accommodate agricultural Crown land pictorially and spatially by integrating all global positioning system (GPS) field data into GIS features. This will allow better representation of Crown land matters and enable information recovery that is not currently possible.

- SAF has been working on the Grand Cheviot Integrated Land Use Plan since 2001. This area consists of a block of Crown land comprised of native prairie, parkland, range land, oil and gas sites and historical areas covering 103,520 acres. The plan is expected to be completed in 2006-07.

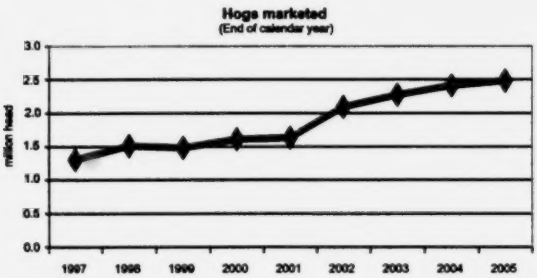
- For the 2005-06 growing season, grazing and hay rents declined by 16.6 per cent while cultivation rents dropped by 13 per cent. These declines stem from softer cattle and grain prices that were experienced during the previous year.

Measurement Results

The 2005-06 Performance Plan indicated that progress toward achieving the objective of increased livestock production and diversification to higher value crops would be measured by growth in Saskatchewan's primary beef and hog production, growth in the cow herd and changes in the dollar value generated per acre of crop produced. The specific measures are:

- *Changes in the number of hogs marketed;*
- *Changes in the number of slaughter steers and heifers marketed;*
- *Growth in the beef cow herd size; and*
- *Value of crop output in dollars per acre.*

The following trend and measurement results for these specific measures follow.

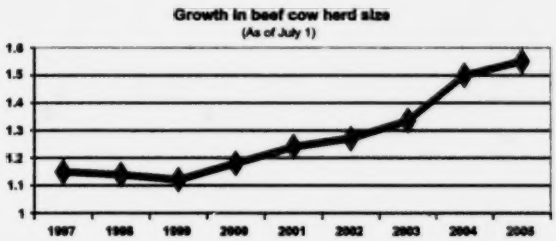


Source: SAF Agricultural Statistics Handbook, SPI Marketing Group, Sask Pork

During 2005, the number of slaughter hogs marketed was just under 2.5 million animals. Growth in the hog industry has been slow the past three years. The percentage growth in hogs marketed in Saskatchewan from the beginning of January 2005 to January 2006 was 2.8 per cent. In comparison, Alberta experienced 3.25 per cent growth during the same time period and Manitoba saw a decrease of 1.85 per cent.

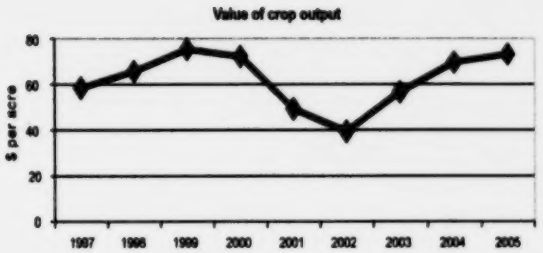
Source: SAF Cattle Marketing Report

During 2005, 261,990 slaughter steers and heifers were marketed, a decrease of 44,860 from the previous year. Comparable data is not available for Alberta or Manitoba.



Source: Statistics Canada, in SAF Livestock StatFact January 1, 2006 Cattle on Farms

Midway through 2005, the beef cow herd in Saskatchewan was estimated by Statistics Canada at 1.545 million head. This is an increase of 45,000 animals from the level of a year earlier and is well above the recent low set in 1999 of 1.12 million. By January 1, 2006, the beef cow herd had expanded further and stood at 1.56 million head. Saskatchewan's beef cow herd grew by three per cent between July 1, 2004 and July 1, 2005. In comparison, Alberta experienced a two per cent growth and Manitoba experienced a four per cent growth during the same time period.



Source: SAF, internal calculations and Statistics Canada

In 2005, the value of crop output per acre, as calculated by SAF, was $73.01 ($69.54) per acre, up $3.47 an acre from the value estimated for the previous year.

Objective 2 – Increased total value of goods and services produced by the agriculture and food sector

Development of the primary agricultural sector and further processing of this primary production is sought so that these activities may expand their contribution in economic output and employment to the provincial economy. Increased processing, particularly outside urban centres, will also directly enhance the rural economy and help keep smaller communities viable.

SAF made progress toward achieving this objective, due in part to the continued recovery in crop output that began in 2003. Primary agriculture's and agriculture value-added activity's GDP increased by seven per cent to $2.42 billion in 2005, representing 7.7 per cent of total provincial GDP. Growth in primary agricultural output accounted for most of this change, rising by $138 million in value for a 7.6 per cent increase. Agri-value's contribution rose by $22 million, a rise of five per cent.

To help realize the objective of increased total value of goods and services produced by the agriculture and food sector, the department has identified four key actions. These actions are to:

- Implement a meat processing strategy that will address constraints in that sector (financial, infrastructure, regulatory, competitiveness, value chain linkages) and lead to the expansion of industry slaughter and processing capacity;
- Implement strategies to develop value chains for the flax, pulse and organic and bio-energy industries;
- Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector; and
- Provide an effective regulatory environment for sector development by updating regulations where appropriate.

The activity by SAF and the results associated with each of these key actions follows:

Implement a meat processing strategy that will address constraints in that sector (financial, infrastructure, regulatory, competitiveness, value chain linkages) and lead to the expansion of industry slaughter and processing capacity [2005-06 planned result]

- On June 9, 2005, the Government of Saskatchewan announced a $37.3 million meat processing package to help drive development of the meat processing sector. This package includes three components:
  - An investment rebate, which makes available $32.8 million in base funding over the next three years. A 15 per cent rebate on construction costs is provided to qualifying federally inspected meat processing facilities or to provincially regulated facilities that move to federal status and which expand by more than 25 per cent. Simultaneous costs incurred by the former category to move to EU status or by the latter category to move to federal status will also be covered.
  - Increased funding for the Saskatchewan Food Industry Development Centre of $400,000 per year for three years.

- Development of toll processing capacity in Saskatchewan. $1.1 million per year for three years will be made available to support federally-inspected toll processing initiatives.

- During the year, three applications were received for the investment rebate. By fiscal year end, one initial payment was made, for almost $630,000.

- A related initiative which complements the provincial meat processing strategy is the announced expansion by Maple Leaf Foods. This will result in a new $110 million primary pork processing facility in Saskatoon, and up to $50 million in value-added pork operations in the province, depending on the outcome of the project's reexamination in response to increased construction costs.

- A number of community based groups continue to examine the economic feasibility of establishing beef production and processing facilities in their local area. The July 2005 opening of the U.S. border to live beef animals from Canada that are under 30 months of age, as well as the anticipated eventual loosening of U.S. border restrictions on older animals, have required project proponents to carefully re-evaluate their initial business plans.

Implement strategies to develop value chains for the flax, pulse, organic and bio-energy industries [2005-06 planned result]

- SAF provided support to Flax Canada 2015, an industry led program to increase the size and value of the industry. The department participated in initiatives to identify current research on fibre processing at U.S. institutions and pilot plants. A related activity is staff participation in the Flax Breeding and Agronomy Working Group.

- The department continues to work with the Saskatchewan Pulse Growers to support further processing in Saskatchewan of these crops. A major initiative in support of this was the joint organization of the Processing for Profit Conference, which was held in November 2005. The department also works with the Saskatchewan Trade and Export Partnership and the Canadian Special Crops Association on export market development. A team of department, research and industry representatives was formed to promote red lentil production, in recognition of existing and potential market opportunities.

- The development of strategies for the organic sector will be driven, in large part, by the Organic Forum. As previously identified, this forum brings together industry leaders and departmental officials who will work to determine the needs and opportunities of the sector.

- In June 2005, the Biodiesel Development Task Force (BDTF) was established to determine the potential for biodiesel in Saskatchewan and make recommendations to advance the industry. The BDTF is made up of representatives of oilseed producer organizations, companies interested in biodiesel production, research institutions and government departments. The task force has provided draft recommendations on two occasions during the year. Their final report is expected to be released in June 2006.

- SAF partnered with several communities and the federal government in providing assistance to the Saskatchewan Ethanol Development Council (SEDC) to develop a template for integrated ethanol-feedlot facilities. This initiative is to provide guidance to Saskatchewan communities in planning and constructing such complexes.

- A total of 11 value chain workshops were held in communities throughout the province in the latter part of fiscal 2005-06. These workshops promoted and explained the value chain concept for agricultural commodities in general.

Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector [2005-06 planned result]

- Key components of this are SAF's Strategic Research Program Agreement (SRPA) with the University of Saskatchewan and project funding provided through the Saskatchewan Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF).

- The SRPA and similar agreements funded 17 (14) research chairs at the University of Saskatchewan (U of S), the Prairie Agricultural Machinery Institute and the Western Beef Development Centre during the fiscal year. A total of $2.66 ($2.13) million was provided for these activities. These agreements provide funding for up to 15 SAF Chair positions at the U of S, based on $165,000 per year (over the term of the agreement) to cover the cost of a researcher and technician salaries. Funding for one chair at the Prairie Agricultural Machinery Institute and at the Western Beef Development Centre also is provided. Additional information on the SAF funded Chairs may be found at http://www.agr.gov.sk.ca/docs/research/ADF/StatResearchProgram04.asp

  ADF and AFIF also serve as major funding channels for provincial agriculture and food research and development in Saskatchewan. These two funds provided more than $8.7 ($8.6) million to a variety of new and ongoing projects in four specific areas (livestock, crops, environmental stewardship and value-added) and one general area.

- A breakdown of expenditures under the ADF and AFIF by category is contained in the following table. The 203 (217) ADF projects, consisting of 75 (86) ongoing projects, 47 (79) new projects and 81 (52)) completed projects were in the areas of field crops, horticulture, forage crops, plant breeding, plant disease and pest control, animal production, animal welfare, processing and value added activity, animal disease and pest control, environmental stewardship, and farm management, marketing and economics. Further information may be found at www.agr.gov.sk.ca/apps/adf/default.asp?advanced=yes)

- AFIF provided approximately $1.8 ($1.1) million to eight (14) projects during the 12-month period ending March 31, 2006. This fund was created to promote and support emerging primary production and value-added processing activities within the province. All original funding has been fully committed and the Fund is in a wind-down mode. It continues to manage ongoing contracts, all of which should be completed by approximately March 31, 2008. Further information may be found at www.agr.gov.sk.ca/afif/Homepage.htm.

2005/06	General	Livestock	Crops	Environmental Stewardship (Soils, Air and Water)	Value-Added	Total
ADF $	168,286	2,043,347	3,632,755	391,310	657,889	6,893,587
# of Projects	12	40	92	22	37	203
AFIF $	215,326	295,763	1,196,974	0	93,190	1,801,253
# of Projects	2	2	3	2	1	8
Total $	383,612	2,339,110	4,829,723	391,310	751,079	8,694,834
Total # of Projects	14	42	95	22	38	211

To support the economic viability and the expansion of the agricultural industry over the longer-term, additional research activity is supported by the department. Specific programming and funding activity includes:

- Vaccine and Infectious Disease Organization (VIDO)

  SAF provided $150,000 in funding during 2005-06 to support research and development as part of a five-year (2001-06) agreement with VIDO for research in disease control and vaccine production. During the year, a new five year agreement (April 1, 2006 to March 31, 2011) providing funding of $1.5 million to VIDO was signed with the U of S, of which $240,000 flowed in the latter part of the 2005-06 fiscal year.

- Prairie Swine Centre Inc.

  SAF provided $125,000 in base funding to the Prairie Swine Centre Inc. during 2005-06 to support research and development in quality pork production. This amount flowed under the existing five-year (2001-06) agreement with the Centre. In addition, the Centre received $80,000 from APF to fund two approved projects. During the year, a new five year agreement also was signed, which will provide $1.65 million in total funding to the Centre. Of this amount, $600,000 was dispersed in the latter part of fiscal 2005-06.

- Saskatchewan Beef Development Fund (BDF)

  The BDF has administered the Beef Development Plan since 1994. It utilizes funding that originated with the termination of the National Tripartite Stabilization Program and the allocation of the surplus contained in the Saskatchewan Beef Stabilization Board marketing account. In 2005-06, the BDF provided support of approximately $198,000 ($163,000) for 10 (eight) research projects related to the beef industry structure, cattle production, nutrition, breeding, disease control and beef processing. Funding under the program has been fully committed. The BDF is winding down and the last project is expected to be completed by approximately May 1, 2010. Further information may be found at www.agr.gov.sk.ca/Research.asp?firstPick=Research.

- Prairie Agricultural Machinery Institute (PAMI)

  SAF provided core funding of $910,000 ($650,000) for the 2005-06 fiscal year to PAMI, as well as $96,000 (approximately $278,000) from ADF to carry out research, development, evaluation and extension activities to improve agricultural machinery, agriculture processing equipment and related electronic equipment.

- Ag-West Bio Inc.

  SAF provided total funding of $2.1 million ($900,000) to Ag-West Bio Inc. in 2005-06 in support of its activities and to assist with ag-biotech research. This consisted of $900,000 under the existing three year funding agreement (running to March 31, 2007), an advance of $500,000 under the renewed contract (extended to March 31, 2009) which is expected to be utilized primarily during the first half of fiscal 2006-07 and an additional $700,000 to facilitate the commercialization of knowledge and technologies developed in Saskatoon and elsewhere.

Provide an effective regulatory environment for sector development by updating regulations where appropriate [2005-06 planned result]

- Improved efficiency in the delivery and issuance of licences under *The Agricultural Implements Act* was achieved through the establishment of a data base and improved reporting processes. During the year, SAF issued 400 (400) dealer licenses and (100) 107 distributor licences. Similar approaches were taken to maintain a rapid turn-around in the handling of complaints filed under the Agricultural Operations, Agricultural Implements and Land Appeal Boards.

- Submitted proposed amendments to *The Veterinarians Act* to the Legislature, in consultation with stakeholders and the Department of Justice.

- Engaged in five public consultation meetings with provincial meat industry stakeholders regarding possible changes to the meat inspection system.

- Changes in *The Irrigation Act, 1996* regulations were drafted and public consultations were undertaken. These have been submitted for approval.

- SAF revised *The Apiary Regulations, 2005*, following changes to *The Apiaries Act, 2005*. This will ensure the regulatory framework is in place should disease or pest issues threaten the honey industry.

- Amended *The Dairy Manufacturing Plant Regulations* to bring them into compliance with the Agreement on Internal Trade, for the deregulation of imitation dairy products and blends.

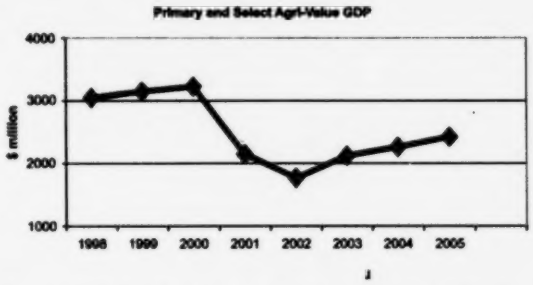
- Participated in the review of *The Fertilizer Act* (federal) that is trying to address constraints on the introduction and marketing of new fertilizers and supplements as part of Canada's Smart Regulation process.

A full listing of SAF related regulatory amendments which occurred during 2005-06 may be found in Appendix F.

Measurement Results

The 2005-06 performance plan indicated progress toward achieving the objective of increased total value of goods and services produced by the agriculture and food sector. This is measured by changes to primary agriculture and agri-value GDP, as calculated by Statistics Canada. The specific measure is:

Primary agriculture GDP plus select agri-value (meat processing, feed processing) GDP.



Source: Statistics Canada - numbers have been revised for the years 2000 -2004.

In 2005, primary agriculture GDP and select agri-value GDP increased to $2.4 billion, a seven per cent increase from the previous year. Sector GDP has yet to recover to the level enjoyed at the beginning of the decade. This drop reflects the decline in commodity prices and the dominance of primary agricultural output in the aggregate measure. In comparison, Manitoba's primary agriculture GDP and select agri-value GDP dropped to $1.9 billion, a 10 per cent decrease from the previous year. This drop was due to the extreme moisture and the flooding that resulted. Alberta's increased by four per cent.

Objective 3 – Enhanced environmental stewardship

From an economic standpoint, it is important to utilize progressive farming and processing practices in an environmentally sound manner that maintains our soil and water resources and protects the environment.

SAF made additional progress toward the achievement of this objective in 2005-06. A further reduction in summerfallow area was achieved, with the percentage of total cultivated land under this practice falling to 13.9 per cent in 2005, down from 14.9 per cent in the previous year. The Environmental Farm Planning (EFP) initiative is expanding successfully. This mechanism for the development of environmental farm plans facilitates both the identification of land at environmental risk and remedial action that can be taken.

To help realize the objective of enhanced environmental stewardship, the department has identified four key actions. These actions are to:

- *Implement an environmental monitoring and indicator program*
- *Continue to implement the environmental farm planning initiative (www.saskpcab.com/efp.html)*
- *Ensure that Saskatchewan farmers are treated fairly in the Climate Change Plan for Canada*
- *Provide environmental assessments for intensive livestock operations*
- *Regulate the application of pesticide products by the agricultural industry*

The activity by SAF and the results associated with each of these key actions follows.

Implement an environmental monitoring and indicator initiative [2005-06 planned result]

- During 2005-06, SAF implemented a three-year environmental monitoring and indicator program. New initiatives under the program included:
    - Initial funding of $141,000 for a research project, "Agricultural Land Use Impacts on Surface Water Quality in Saskatchewan," led by the Saskatchewan Watershed Authority. This project is intended to look at different agriculture landscape activities and to quantify the resulting surface water quality impacts. A further $52,000 has also been committed for each of the next two fiscal years.

- In 2005-06, additional funding was provided for SAF's own monitoring-related program. This included the purchase of stream flow monitoring equipment for the Agricultural Operation's Surface Water Quality Monitoring Program, which will provide new information on stream loading from nutrients, compared to the traditional information on concentrations.

- SAF continued to assist the Spirit Creek Watershed Monitoring Committee with the Soil/Manure Monitoring Program at the Big Sky Rama Complex. This program is providing long term data on the environmental effects of the agronomic application of hog manure.

SAF was also involved in consultations to provide input to the following programs where agriculture's impact on the environment is of interest. Such activities included:

- The Farm Environmental Management Survey, which is a joint project with AAFC and Statistics Canada. The survey provides a "snapshot" of the on-farm environmental management practices in Canada. SAF has provided input from the prairie perspective to this survey. The initial survey was done in 2002 and the next one is set for early in 2007.

- The National Agri Health Analysis and Reporting Program (NAHARP) which was initiated by AAFC as part of the Environment Chapter of the Agriculture Policy Framework. NAHARP has developed a set of Agri-Environmental Indicators (AEIs) for soil quality, air quality, water quality, biodiversity, environmental and farm management. SAF has provided input into the development and use of these indicators.

- The Saskatchewan Watershed Authority (SWA) State of the Watershed Framework Report. This is a "report card" that uses environmental indicators to describe watershed functions. SAF has provided input from an agricultural perspective to the Framework as SWA develops their initial set of indicators.

Continue to implement the EFP initiative [2005-06 planned result]

- During 2005-06, EFP workshops continued to be delivered by PCAB. Since 2004-05, they have delivered 396 initial EFP workshops with 6,252 farm units participating. Of that number, 3,960 farm units went on to participate in 337 "Workshop Twos" to finalize their environmental farm action plans. A total of 3,192 action plans were anonymously reviewed and approved by peer review committees. This approval enables producer eligibility for cost-shared funding for adopting beneficial management practices (BMPs) under the Canada-Saskatchewan Farm Stewardship Program. About three-quarters of total EFP related activity since inception has occurred in the 2005-06 fiscal year. As of March 31, 2006, total funding of over $2.6 million has been approved for 761 BMP projects.

- Saskatchewan has been leading other provinces in the development and delivery of Agri-Environmental Group or "Equivalent" Planning under the Agricultural Policy Framework. Planning projects with nine watershed groups were approved during the year. Upon completion of the group plans, producers are eligible to apply for BMP funding for projects to improve wintering site management and riparian area management. With the initial pilot project in the Lower Souris Watershed, a total of 169 producer projects have been approved for protection of surface water quality. In addition, three producer groups are initiating group planning projects to address priority environmental issues facing their sector.

- The First Nations Agricultural Council of Saskatchewan (FNACS) is delivering both individual Environmental Farm Plan programming and group planning to First Nations people. FNACS has had meetings on 40 reserves, with farmers, Band Councils and Land Managers. A total of 160 farmers/land managers have attended Workshop One, and 65 have gone on to attend Workshop Two. In all, 56 action plans have been approved by the FNACS peer review process. Seven Community Group Plans also are underway. Land Capability Studies (scans) have been completed on 17 First Nations. Saskatchewan is the first province to implement this kind of partnership which encourages environmental farm planning involving First Nations people.

Ensure that Saskatchewan farmers are treated fairly in the Climate Change Plan for Canada [2005-06 planned result]

- SAF maintains a working group to receive briefings on developments from the Climate Change Plan for Canada. The objective of the working group is to examine options and develop a strategy to ensure that Saskatchewan farmers and land owners, collectively or individually, can maximize the financial return from the carbon they are sequestering by their agronomic practices with a minimum of administration costs.

Provide environmental assessments for intensive livestock operations [2005-06 planned result]

- SAF staff completed 141 (178) site inspections, of which 12 (42) were audits and 11 (29) were manure storage inspections, to ensure compliance with *The Agricultural Operations Act* and to ensure water resources were not at risk.

- Staff responded to 210 verbal inquiries about water pollution, regulatory requirements and applications under development or review. Four (seven) written complaints about water pollution were also received and investigated.

Regulate the application of pesticide products by the agricultural industry [2005-06 planned result]

- *The Pest Control Products (Sask.) Act* and regulations provides for pesticide applicator, service and vendor licensing. There are currently 14 license classes that reflect the types of pesticide application being conducted. An applicant for any license must pass a pesticide applicator course offered by the Agriculture Division of the Saskatchewan Institute of Applied Science and Technology (SIAST).

  As provided for under *The Act*, the department issued licenses to 784 (673) applicator businesses employing 1,925 (1,878) pesticide applicators. In addition, 456 (456) vendor licenses were issued during the year.

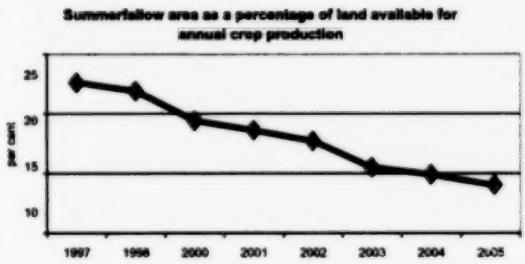
- The Pesticide Investigator handled 104 complaints related to the improper use of pesticides. Resolution was brought to 31 drift complaints, 32 licensing complaints, 13 involving off label use, one regarding non-performance, nine in respect to Own Use Import (OUI), 11 on storage and disposal, and seven concerning spray plans.

Measurement Results

The 2005-06 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by changes in the practice of summerfallow and by the number of environmental farm planning workshops that are resourced. Summerfallow information is gathered by Statistics Canada on an annual basis, while the statistics on EFP workshops are provided by PCAB. The specific measures are:

- *Summerfallow as a percentage of total cultivated land; and*
- *Number of EFP workshops that are resourced.*

The trend and measurement result for these specific measures follows.



Source: Statistics Canada

Crop land not in annual production has been on a downward trend since the 1990s. In 2005, summerfallow area as a percentage of all land available for production fell from the previous level of 14.9 per cent down to 13.9 per cent. In comparison, Alberta summerfallow acreage has remained relatively constant, ranging from 9.8 per cent in 2000 to 8.3 per cent in 2005. In Manitoba, little change occurred for much of the same period. In 2005, however, summerfallow acreage there rose to 13 per cent of total provincial annual crop area as a result of spring flooding.

Since 2004-05, a total of 396 initial EFP workshops and 337 stage two workshops have been held. Approximately 75 per cent of this related activity, including development of farm action plans and the implementation of co-funded beneficial management practices, occurred in 2005-06. Comparable numbers are not available for the other Prairie provinces.

Objective 4 – Improved food safety and quality systems

Consumers throughout the world are increasingly demanding that high safety standards be observed in the production of the food that they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.

SAF again made progress toward achieving this objective in 2005-06. On-farm food safety programs are in operation for the egg, chicken, dairy and hog sectors, and are in the process of being implemented for the cattle sector. The number of incidences where inhibitor penalties have been applied to dairy producers has declined. It may be noted, however, that the number of hogs that were inspected in federally regulated slaughter facilities in Saskatchewan has dropped.

To help realize the objective of improved food safety standards, the department has identified three key actions. These actions are to:

- *Continue to implement a food safety strategy for Saskatchewan's food processing sector;*
- *Ensure the provincial component of Canada's expanded BSE surveillance program targets are met; and*
- *Assist industry in implementing on-farm food safety programs.*

The activity by SAF and the results associated with each of these key actions follows:

Continue to implement a food safety strategy for Saskatchewan's food processing sector [2005-06 planned result]

- SAF continued its efforts in respect to advisory and training services for companies in the areas of food safety and quality assurance programs. During 2005-06:
    - Training in FoodSTEPS-Processing Foods Safely continued and resulted in 24 students graduating. An online version of this program was completed during the fiscal year and is delivered by the Saskatchewan Institute of Applied Science and Technology (SIAST).
    - Several companies engaged in HACCP development and/or audits of their food safety programs at their processing facilities.

Ensure the provincial component of Canada's expanded BSE surveillance program targets are met [2005-06 planned result]

- The BSE surveillance program target for Saskatchewan for the calendar year 2005 was met and exceeded. The target was 6,878 animals to be tested for BSE while the actual number tested was 7,469.

Assist industry in implementing on-farm food safety programs [2005-06 planned result]

- An on-farm food safety (OFFS) specialist provided expertise and developed programming oversight for on-farm food safety programs for several commodity groups. Commercial producers of four commodities (chicken, dairy, eggs and pork) have all completed the process and are OFFS certified. The progress of some of the other commodities is summarized here:

- Beef – a total of 811 farm units have taken Verified Beef Production training (OFFS), with just over 200 of those having been trained in 2005-06. As part of this training, those farm units have audits conducted every four years to ensure compliance.

- Bison – OFFS training requirements for the industry have not been finalized and approved by the Canadian Food Inspection Agency.

- Cervids – OFFS training requirements for the industry have not been finalized.

- Horticulture – roughly one quarter to one third of the Saskatchewan Fruit Growers Association membership have attended and completed an OFFS workshop. The Saskatchewan Greenhouse Growers Association also has had four farm units complete an OFFS workshop.

- Sheep – the industry has held several OFFS sessions.

Other department activities which support this key action include:

- The department administers the provincial Chronic Wasting Disease (CWD) surveillance program, including the assessment of cervid herds and evaluation of import requests. In addition, staff continued to participate in the development of a national CWD control strategy for wildlife.

- Staff worked with Prairie Diagnostic Services to change the format for reporting of CWD test results, increasing efficiency and decreasing processing time.

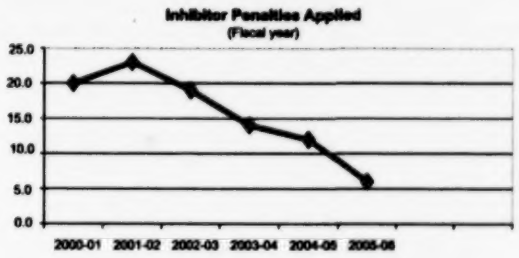
- SAF continued to manage Saskatchewan's response to the discovery of a small number of cattle with BSE in Canada. This activity included national discussions on specified risk material removal from the food and feed chains.

Measurement Results

The 2005-06 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by the number of inhibitor penalties that are applied, the number of hogs that are inspected in federal facilities in Saskatchewan and the number of farmers who have trained in on-farm food safety programs. The specific measures are:

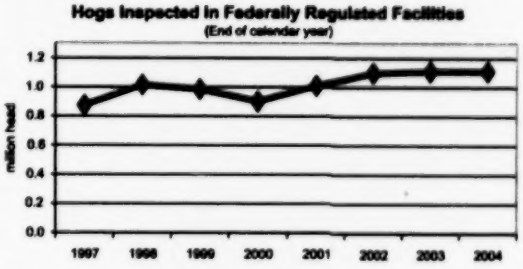
- *Number of incidences where inhibitor penalties are applied to dairy producers;*
- *Number of hogs that are inspected in federally regulated slaughter facilities in Saskatchewan; and*
- *Number of farmers who have trained in on-farm food safety programs.*

The trend and measurement result for these specific measures follows.



Source: Provincial Dairy Laboratory

During 2005-06, the number of inhibitor penalties that were applied to dairy producers due to the presence of antibiotic residue in milk shipments fell to six from 12 during the previous year.



Source: AAFC Weekly Livestock and Meat Report

During calendar 2005, the number of hogs that were slaughtered in federally regulated hog facilities in Saskatchewan dropped from the previous year to 932,000 head. This is down from the 1.1 million that were slaughtered in 2004. This decline is largely due to the extended closure of World Wide Pork Company Limited due to financial difficulties. In comparison, both Alberta and Manitoba saw an increase in the number of hogs that were slaughtered in federal facilities. Alberta's numbers increased to 3.0 million up from 2.88 million in 2004. Manitoba increased to 4.3 million, up slightly from 4.22 million in 2004.

Objective 5 – Effective safety net programs and risk management tools

Income from agricultural production is subject to both price and production risk and may be quite variable from year to year. Effective safety net programs and risk management tools are essential if producers are to deal with these risks and achieve the full economic potential of the sector. SAF continued to progress toward achieving this objective during the fiscal year. Participation in the CAIS program has been significant. It is estimated that almost all of Saskatchewan farm operations with over $10,000 in sales enrolled in the program. Crop insurance participation continues to be at high levels, although the percentage of annual crop area and forages covered under the program declined slightly in 2005. Temporary programs that had been introduced in the previous year to deal with the economic pressure of BSE disrupted markets were discontinued when the U.S. market opened to Canadian exports of live cattle under 30 months of age.

To help realize the objective of effective safety net programs and risk management tools, the department has identified three key actions. These actions are to:

- *Implement the new federal/provincial business risk management programming (CAIS Program);*
- *Provide crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards; and*
- *Continue monitoring and delivery of programming to address unique risk situations.*

Implement the new federal-provincial business risk management programming (CAIS Program) [2005-06 planned result]

- Saskatchewan became a participant in the Canadian Agricultural Income Stabilization (CAIS) program by signing the APF Implementation Agreement on December 22, 2003. The CAIS program is available to provide assistance to producers for five years covering the 2003 program (tax) year through to the 2007 program (tax) year. The CAIS program replaces the previous Net Income Stabilization Account (NISA) program and the Canadian Farm Income Program (CFIP) with one program that provides both income stabilization and income disaster protection.

  The CAIS program is an individual whole-farm program that provides payments to producers whenever individual farm income, as measured by a farm's production margin, declines relative to previous average levels. Payments available to producers are graduated so that, as the degree of income decline increases, the relative amount of support available from government increases.

  For the 2004 program (tax) year, 45,105 (41,877) Saskatchewan producers signed up for the CAIS program and elected a level of support. Almost 36,700 (36,000) Saskatchewan producers filed the necessary supplementary forms and applied for support available under the program. As of March 31, 2006, 31,269 (32,900) applications had been processed representing 85.3 (91.5) per cent of claims received from Saskatchewan producers. Of the claims processed, 55 (60) per cent were eligible for payments totalling $315 ($334) million. By the time processing is finished, it is estimated that between $400 million and $420 million will have been paid to Saskatchewan CAIS participants for the program year.

Provide crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards [2005-06 planned result]

- Under various programs, the Crop Insurance Corporation of Saskatchewan provided production insurance on 36 different crops and crop classes as well as a number of forages in 2005-06. Approximately 30,400 (32,000) customers insured 25.0 (25.0) million annual crop acres and nearly 570,000 (800,000) forage acres under the yield-loss programs. Weather-based insurance products insured an additional 3.2 (3.1) million acres. In 2005, SCIC insured 70 (71) per cent of all land seeded in Saskatchewan.

- Even though both seeding and harvest were interrupted by excessive rain in certain regions in the province, 2005's production was nearly 30 per cent above the 10-year average. Cumulatively, SCIC completed more than 16,000 inspections for all claim types and paid approximately $65 million to customers. The Corporation experienced its most favourable loss to premium ratio since the latter 1990s.

  Complete program and statistical information can be found in the 2005-2006 Saskatchewan Crop Insurance Corporation Annual Report available at www.saskcropinsurance.com.

Continue monitoring and delivery of programming to address unique risk situations [2005-06 planned result]

- In response to the severe economic impact triggered by the BSE crisis, several federal/ provincial and provincial-only assistance programs had been made available to producers in Saskatchewan at the beginning of the 2005-06 fiscal year. These included:

  - **The Canada-Saskatchewan Feeder Calf Set-aside Program**

    The program was designed to delay the finishing and slaughter of a portion of the 2004 calf crop in an effort to better balance supply and demand of slaughter cattle to help support slaughter prices. The program provides beef cow owners and backgrounders with the option of holding a portion of their 2004 calf crop from slaughter. Producers had the option to hold their calves from slaughter until either October 1, 2005, for a per head payment of $160, or until January 1, 2006, for a per head payment of $200. Payments were made in instalments.

    As the border opened to Canadian live cattle under 30 months of age on July 20, 2005, the third scheduled payment of $40 and $32 on October 1, 2005, for January and October set-aside dates respectively was not paid out.

  - **The Canada-Saskatchewan Fed Cattle Set-aside Program**

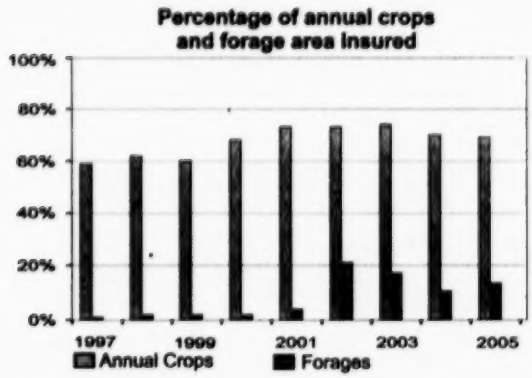
    The Canada-Saskatchewan Fed Cattle Set-aside Program provided cattle feeders with the option of setting aside market ready cattle to better align the supply of slaughter cattle with the available slaughter capacity. For each set-aside period (hold period), a management committee determined the number of market ready cattle that needed to be set-aside. Cattle feeders who wished to participate in the program "bid" their set-aside animals into the program based on their anticipated daily feed cost for a set-aside period of up to 120 days.

    The program was discontinued on July 20, 2005. Under the program, a total of 6,308 head of cattle were set aside in Saskatchewan, and a total of $699,511.54 was paid out.

Measurement Results

The 2005-06 performance plan indicated that progress toward achieving the objective of effective safety net programs and risk management tools would be measured by tracking participation in the Crop Insurance Program and tracking participation in the CAIS program. The specific measures are:

- *Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage; and*
- *Percentage of Saskatchewan farm operations above $10,000 in sales that participate in the CAIS program.*



Source: Saskatchewan Crop Insurance Corporation

During 2005, 70 (71) per cent of all annual crop acreage was insured. Insurance on forages also was provided on 14 (11) per cent of total acres, compared to 18 per cent in 2003.

In respect to the CAIS program, for the 2004 program (tax) year, 45,105 Saskatchewan producers signed up and elected a level of support. Almost 36,700 operations submitted all necessary forms to be considered for the support available under the program. This number is equivalent to more than 95 per cent of the estimated number of Saskatchewan farms with sales in excess of $10,000 annually in 2003. (Statistics Canada – Farm Financial Survey)

Goal 2 – Strong, resourceful, rural people families and communities

Objective 1 - Rural people and families with better tools and resources to plan for their future

Saskatchewan's people are our most important resource in the development of the agriculture and food industry. They must have the tools they need to make decisions regarding their individual operations to achieve that development – whether they are considering diversification and/or expansion of their operations or exploring off farm opportunities.

SAF achieved progress toward meeting this objective in 2005-06. In collaboration with the federal government, the delivery of renewal programming under the APF proceeded and expanded. The department operated the Agriculture Knowledge Centre, as part of its restructured delivery model for information and technology transfer. Provision of peer counselling information continued, and the Farm Stress Unit of the department responded to a significant number of calls which were in relation to financial matters.

To help realize the objective of rural people and families with better tools and resources to plan for their future, the department has identified three key actions. These actions are to:

- In co-operation with the federal government, deliver renewal programming services to farm families (to respond to financial stress, capture new opportunities and effectively change current operations);
- Provide enhanced specialist, technical and business development services; and
- Provide information and counselling services to help farm families deal with the stresses in their industry.

The activity by SAF and the results associated with each of these key actions follows.

In co-operation with the federal government, deliver renewal programming services to farm families (to respond to financial stress, to capture new opportunities and to effectively change current operations) [2005-06 planned result]

- The Canadian Farm Business Advisory Service (CFBAS) programs were launched in the fall of 2004. This initiative includes the following programs and services:

    - The Farm Business Assessment program provides consultation services for a farm financial assessment and preparation of a farm action plan. The department's renewal specialists are the first point of contact for farmers entering the program and provide limited direct farm family counselling. In 2005-06, there were 652 (572) participants in the program.

    - The Specialised Business Planning Services program provides farmers and groups of farmers with detailed business planning support for marketing, business management, diversification, expansion, risk management, human resource development and succession planning. Renewal specialists work with agricultural consultants on program delivery and supervision. In 2005-06, there were 83 (69) participants in the program.

    - The Planning and Assessment for Value Added Enterprises program provides feasibility assessments and business planning opportunities to farmers and groups of farmers. Renewal specialists work directly with these program clients, as part of SAF's agri-business development team, to help producers develop ideas for value added opportunities. In 2005-06, there were 10 (6) participants in the program.

    - The Canadian Agricultural Skills Service (CASS) helps farmers increase their family income through improved farm practices and building new agricultural enterprises; building new rural business ventures; or through obtaining employment income. The CASS program commenced in June 2005 and received 1,932 applications during the remainder of the fiscal year. From the 1,932 applications received, 928 signed contracts with the program and received benefits under the program. The remaining applicants remain eligible but were still finalizing their learning plans at year-end.

- Renewal specialists continued to foster awareness of renewal programs through their attendance at trade shows and at the annual meetings of farm organizations in the province.

Provide enhanced specialist, technical and business development services [2005-06 planned result]

- The Agriculture Knowledge Centre (AKC) is the first point of contact with SAF for technical and general agricultural information. The Agriculture Knowledge Centre staff includes five Resource Agents, eight Sector Specialists and one Agrologist intern. The AKC is also linked with other provincial and regional specialists throughout the department.

    - The AKC responded to approximately 17,000 inquiries, via the province wide toll free number and e-mail, between April 1, 2005 and March 31, 2006.

    - AKC services and staff were promoted to the agricultural industry through presentations at trade shows, AgriView articles, media contact, SAF website, presentations at industry meetings and field days and through other promotional means.

- SAF also has nine Agriculture Business Centres (ABCs) located in the province where technical and general agricultural information can be obtained.

- SAF acted as a resource to the work plan for the Traceability Working Group. A major component will be to identify potential traceability projects and assisting industry and groups in accessing funds for projects. These projects will help build the capacity within the province, government and industry to meet the proposed traceability guidelines by 2008.

- The department develops and updates numerous fact sheets, brochures and other publications (print and electronic versions) that provide information on pest management (i.e. plant disease control, weed control, insect control), soil management (i.e. fertility, conservation, problem soils) and farm business management issues (i.e. cost of production, land rental arrangements, machinery costs, marketing). Electronic or online versions of the publications are available on the SAF website.

- Throughout the growing season, the Crop Report Program provides weekly updates of regional precipitation, seeding progress, crop development, haying and harvest progress, soil moisture conditions and crop yields. Operating for 30 years, the Crop Report Program is made possible through the efforts of approximately 300 volunteer reporters.

- The CONNECTIONS Service Directory, which is available through SAF's website, serves as a directory of business and human services. In 2005, there were 86,986 visits and 2,598,575 views by Internet users. Due to increased usage, and ongoing requests for directory inclusion, the expansion of its resources is continual. SAF also manages the Inquiry Line and the Feed Grain and Forage Listing Service.

Provide information and counselling services to help farm families deal with the stresses of their industry [2005-06 planned result]

- The Farm Stress Unit of SAF provides confidential peer counselling information, support and referral services in response to the needs of farmers and those involved in agriculture, who are experiencing social, emotional, physical safety and/or financial difficulty.

- The toll free Farm Stress Line received 1,001 (942) calls in 2005. Of these calls, 30.9 (38.5) per cent related to financial matters.

- The SAF Inquiry Line responded to an estimated 6,227 (7,892) calls in 2005-06. These calls cover the entire spectrum of agricultural issues and information requests.

- The Farm Stress Unit continued to distribute "Farming in Difficult Times" kits. These kits address many of the critical issues farm families face and contain a wide variety of information that allows farm people to respond to the various challenges confronting them, such as farm financial matters.

- The Farm Stress Unit also responds to requests for workshops and presentations on topics pertinent to the resources available in the Unit. In fiscal year 2005-06, the Unit conducted 14 workshops and presentations to approximately 795 participants.

Measurement Results

The 2004-05 Performance Plan indicated that progress toward achieving the objective of agricultural people and families with better tools and resources to plan for their future would be measured by the number of inquiries for technical information. The specific measure is:

- *Number of inquiries to SAF's Agriculture Knowledge Centre for agronomic information.*

In 2005-06, like 2004-05, the AKC handled almost 17,000 inquiries for technical information.

Financial Schedules 2005-2006

Schedule of Revenue and Expenditures

		2005-06 Estimates $000s	2005-06 Actuals $000s	Variances over (under) $000s	Notes
Revenue					
Land Revenue:					
Crown Land Sales	$	6,000	3,208	(2,792)	1
Rent and Penalty on Land Leases		25,850	23,320	(2,530)	2
Interest		250	222	(28)	
Royalties on Sand and Gravel		8	8	—	
Transfers from Federal Government		15,120	15,155	35	
Privileges, Licences and Permits		520	548	28	
Sales, Services and Service Fees		206	201	(5)	
Other Interest Revenue		413	412	(1)	
Transfers In		—	17,533	17,533	3
Other Revenue		20	106	86	4
Refund of Previous Year Expenditures		135	4,054	3,919	5
Total Revenue	$	48,522	64,767	16,245	
Expenditures					
Central Management and Services	$	5,796	6,110	314	6
Industry Assistance	$	3,819	12,064	8,245	7
Land Management					
Land Management Services	$	2,788	2,649	(139)	8
Losses on Sale of Land		200	274	74	9
Land Revenue Bad Debt Allowances		500	—	(500)	10
Pastures Revolving Fund					
Net Financing Requirement (Recovery)		—	388	388	11
Subtotal	$	3,488	3,311	(177)	
Inspection and Regulatory Management					
Program Operations	$	3,387	3,354	(33)	
Livestock Services Revolving Fund					
Net Financing Requirement (Recovery)		129	(263)	(392)	12
Subtotal	$	3,516	3,091	(425)	

		2005-06 Estimates $000s	2005-06 Actuals $000s	Variances over (under) $000s	Notes
Policy and Planning	$	5,833	6,403	570	13
Research and Technology					
Project Coordination	$	809	677	(132)	14
Research Programming		12,413	12,578	165	15
Subtotal	$	13,222	13,255	33	
Development and Technology Transfer	$	14,396	12,626	(1,770)	16
Farm Stability and Adaptation					
Canadian Agricultural Income Stabilization		98,776	259,756	160,980	17
Subtotal	$	98,776	259,756	160,980	
Financial Programs					
Financial Programs Management	$	4,124	3,909	(215)	18
Subtotal	$	4,124	3,909	(215)	
Crop Insurance					
Program Delivery	$	25,235	23,235	(2,000)	19
Crop Premiums		77,955	72,134	(5,821)	20
Interest Subsidy		8,900	6,781	(2,119)	21
Subtotal	$	112,090	102,150	(9,940)	
Budget Appropriation	$	265,060	422,675	157,615	
Supplementary Estimates	$	159,100	—	(159,100)	22
Statutory Adjustment	$	(4)	—	4	
Total Revised Appropriation	$	424,156	422,675	(1,481)	
Capital Asset Acquisitions	$	(150)	(457)	(307)	23
Amortization of Capital Assets	$	175	175	—	
Other	$	—	(3)	(3)	
Total Revised Estimates and Expenses	$	424,181	422,390	(1,791)	
FTE Staff Complement (FTE-Full Time Equivalent)		522.6	504.0	(18.6)	24

Financial Schedules – Notes

Explanations of variances which exceed $50,000 between Estimates and Actuals.

Revenue

1. Demand for agricultural land was lower than estimated because of reduced farm cash flow and decreased demand from out-of-province buyers.

2. Petroleum and Gas Lease revenue is lower due to fewer leases being issued and a reduced number of easements.

3. Revenue is a result of the repayment of the surplus balance from the Saskatchewan Agricultural Stabilization Fund's BSE Program which was discontinued when the United States partially lifted its ban on the import of Canadian cattle.

4. Collection of previously written off GRIP (Gross Revenue Insurance Program) receivables and interest was recorded as revenue in 2005-2006.

5. Revenue is a result of an adjustment to the BSE Loan Loss Provision Liability, repayment of a Livestock Loan Guarantee, a reduction to the Land Management allowance for loss on uncollectable accounts receivable and repayment of research contracts.

Expenditure

6. Expenditures were higher due to increased renovation and accommodation costs.

7. Grant expenditures were higher due to the implementation of the new Meat Processing Strategy, new funding provided to Prairie Genome to sponsor two Saskatchewan-based projects, funding to the Crop Development Centre, establishing core funding to Saskatchewan Agrivision, funding to Saskatchewan Organic Directorate to expand market opportunities, an increase in funding to Prairie Diagnostic Services to upgrade capital equipment and funding to various agricultural organizations.

8. Expenditures were lower due to vacancy management and reduced operating costs.

9. When the Department sells land for less than its original cost, a loss is recorded. In 2005-2006, the amount of Crown land sold at lower than cost was higher than anticipated.

10. The allowance for uncollectable land revenue accounts receivable was not utilized as a result of a significant number of settlements and successful collection efforts.

11. The Pastures Revolving Fund cash expenditures exceeded cash revenues resulting in a net expenditure due to increased capital purchases and increased land rejuvenation which was higher due to favourable weather conditions.

12. The Livestock Services Revolving Fund cash revenues exceeded cash expenditures resulting in a net recovery due to the higher than expected volumes of marketings and inspections.

13. Information and technology costs are higher than budget, primarily attributed to system projects related to new program development.

14. Expenditures were lower due to vacancy management.

15. Expenditures were higher due to increased research funding provided to Ag-West Bio, Prairie Swine Centre and the Prairie Agricultural Machinery Institute.

16. Expenditures were lower due to slower implementation in the startup year of the Canadian Agricultural Skills Services (CASS), lower costs associated with Environmental Monitoring and Indicator Program and Agricultural Policy Framework (APF) Initiatives.

17. Cabinet approved full funding of the 2004 and 2005 CAIS Program. The $259.8 million represents the top range of the federal estimates of the provincial share for the 2004 and 2005 CAIS Program years.

18. Expenditures were lower due to vacancy management.

19. Crop Insurance administration costs were lower than budget.

20. The 2005-2006 Crop Insurance crop premiums were lower than budget due to producers insuring fewer acres than originally anticipated due to a reduced claims year.

21. Interest costs were lower than budget because of lower indemnities which reduced interest expense payments.

22. Special Warrants increase the Province's overall budget and are disclosed in the Public Accounts as an increase in the appropriations. In 2005-2006, the Department received a Special Warrant for the Canadian Agricultural Income Stabilization Program of $154.8 million and the new Meat Processing Strategy of $4.3 million.

23. Capital funding was required in order to purchase irrigation capital assets.

FTE Staff Complement

24. The variance was a result of vacancy management throughout the year.

Revolving Funds, Loans and Guaranteed Debt Information

In addition to the information contained in the Financial Schedules, more detailed information on Revolving Funds and Loan Guarantees is contained in Appendices A and B.

Special Warrant Funding

In the fall of 2005, the Department of Agriculture and Food received $159.1 million through Supplementary Estimates in order to fully fund the Province's share of the Canadian Agricultural Income Stabilization (CAIS) Program for the 2004 and 2005 program years and to cover the first year costs of the Province's new multi-year Meat Processing Strategy.

Where to Obtain Further Information

The purpose of this section is to provide readers with a means to obtain further information, ask questions or provide comments on the department's performance results.

Readers seeking additional information may consult the SAF website, located at www.agr.gov.sk.ca/. This site includes detailed program information, agronomic information, reports, statistics and several interactive features. Additional information may also be obtained by writing:

Communications Branch
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Readers may also provide feedback on SAF's plan via the above site, at www.agr.gov.sk.ca/apps/contact/ask_saf.asp, or by writing to:

Deputy Minister
Saskatchewan Agriculture and Food
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Appendices

Appendix A – Revolving Funds

Pastures Revolving Fund

The Saskatchewan Pastures Program operates 54 provincial community pastures throughout the province encompassing 839,442 acres of department administered Crown land. This land assists farmers and cattle producers by providing supplemental grazing opportunities in order for them to expand and/or diversify their farming and ranching operations. The operation of the Saskatchewan Pastures Program is supportive of the departmental objectives of increased livestock production and diversification to higher value crops.

The Pastures Revolving Fund uses revenues generated from patron fees and user fees to operate the program. The fund has the flexibility to operate between a $700,000 deficit and $700,000 surplus on an accumulating basis. Surpluses in excess of the maximum may be paid to the General Revenue Fund; deficits in excess of the maximum are covered by a subsidy from the General Revenue Fund. Since the inception of the fund, there were two years, i.e. 1995-96 and 1996-97, where money was transferred to general revenue ($152,287 and $66,040 respectively). In 2000-2001 and 2001-02, the General Revenue Fund supplemented the revolving fund in the amounts of $96,984 and $29,351 respectively.

Financial statements are audited by the Provincial Auditor each year. Copies of those audited statements are available from SAF Corporate Services.

Summary of Revenue and Expenses for 2005-06 Fiscal Year (unaudited)

($ thousands)

	Budget	Actual	Variance Over (under)
Revenue	7,028	7,531	5,031[1]
Expenses			
Operations	6,824	6960	1362[2]
Net Profit (Loss)	204	571	367
Subsidy from the General Revenue Fund	0	0	0
Net Profit (Loss) After Subsidy	204	571	367

Explanations of Variance:

1. Increased revenues from royalties and timber sales.

2. Increased expenditures for land rejuvenation.

Livestock Services Revolving Fund

The Livestock Services Revolving Fund provides brand inspection services, registers livestock brands, licenses livestock dealers and provides administrative services for the Cattle Marketing Deductions Fund and the Horned Cattle Fund. These services support the Department of Agriculture and Food's goal of increasing livestock production.

The Livestock Services Revolving Fund provides services on a cost recovery basis to determine ownership of livestock and ensure financial security for livestock owners. Although the Fund is mainly self-sustaining, it receives use of certain office space, capital assets and administration services from the department without charge.

Unaudited summary revenue and expenditure information for 2005-06, relating to the operations of the fund, is provided below. Financial statements are audited by the Provincial Auditor each year and copies of those audited statements are available from SAF Corporate Services.

Summary of Revenue and Expenses for 2005-06 Fiscal Year (unaudited)

($ thousands)

	Budget 2005-06	Estimated 2005-06	Variance – Over (Under)
Revenue	2,758	3,654	896[1]
Expenditures	2,887	3,357	470[2]
Net Profit (Loss)	(129)	297	426
Subsidy from the General Revenue Fund	–	–	–
Net Profit (Loss) After Subsidy	(129)	297	426

Explanations of Variances

1 With the opening of the U.S. border, the livestock industry significantly improved in 2005-06, which resulted in more revenue than expected because more cattle were marketed and inspected.

2 Expenses increased due to a significant increase in the number of inspections conducted; however, since the cost of inspections is not directly proportional to the number of inspections conducted, expenses did not increase as much as revenue due to economies of scale that were realized.

Appendix B – Loans and Guaranteed Debt

Livestock Loan Guarantee (LLG) Program

The LLG Program facilitates growth of Saskatchewan's livestock industry by providing producer associations access to credit at favourable interest rates and with limited collateral requirements for purchase of cattle, sheep or bison. The Program may also be used as a management tool to generate cash flow through retained ownership options. The LLG Program supports increased livestock production by providing guarantees to lenders who make loans to production associations and individual feedlot operators.

During 2005-06, budgeted and actual guarantees under this program were:

Breeder Associations

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	20,000	17,899	(2,101)
Additions	2,000	–	(2,000)
Reductions	–	(2,651)	(2,651)
Ending Balance	22,000	15,248	(6,752)

Explanation of Variance:
Program participation was lower as a result of the continued impact of BSE and market uncertainty.

Feeder Associations

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	13,000	9,232	(3,768)
Additions	1,000	1,745	745
Reductions	–	–	–
Ending Balance	14,000	10,977	(3,023)

Explanation of Variance:
Program participation was lower as a result of the continued impact of BSE and market uncertainty.

Feedlot Loan Guarantees

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	5,000	–	(5,000)
Additions	2,000	–	(2,000)
Reductions	–	–	–
Ending Balance	7,000	Nil	(7,000)

Explanation of Variance:
Program participation was lower as a result of the continued impact of BSE and market uncertainty.

Feedlot Construction Loan Guarantees

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	2,000	–	(2,000)
Additions	3,000	406	(2,594)
Reductions	–	–	–
Ending Balance	5,000	406	(4,594)

Explanation of Variance:
Program participation was lower as a result of the continued impact of BSE and market uncertainty.

Feedlot Equity Loan Guarantees

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	1,000	–	(1,000)
Additions	2,000	–	(2,000)
Reductions	–	–	–
Ending Balance	3,000	Nil	(3,000)

Explanation of Variance:
Program was not implemented in 2005-06.

Enhanced Feeder Loan Guarantees

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	1,500	–	(1,500)
Additions	–	–	–
Reductions	(500)	–	500
Ending Balance	1,000	Nil	(1,000)

Explanation of Variance:
No program participation as a result of the continued impact of BSE and market uncertainty.

Short Term Hog Loan Program(s)

The Short Term Hog Loan Program(s) supports increased livestock production by providing loans to producers. The initial Short-Term Hog Loan Program that was announced in December 1998, assisted hog producers in offsetting operating losses due to a severe reduction in hog prices at that time. A second hog loan program was announced in November 2002, in response to the high feed prices and depressed market prices that hog producers were experiencing.

During 2005-06, budgeted and actual loans under this program were:

1998 STHP outstanding loans

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	54	54	–
Additions	–	–	–
Reductions	(10)	(14)	(4)
Ending Balance	44	40	(4)

Explanation of Variance:
Repayments higher than anticipated.

2002 STHP outstanding loans

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	12,230	12,323	93
Additions	–	–	–
Reductions	(4,265)	(2,700)	1,565
Ending Balance	7,965	9,623	1,658

Explanation of Variance:
Repayments lower than anticipated.

Agricultural Credit Corporation of Saskatchewan (ACS)

ACS admistered Agri-Food Equity Fund (AFEF) debt, which came in the form of financing that was used by the fund for agri-value added investments, and will be repaid as AFEF investments are repaid.

During 2005-06, budgeted and actual disbursements were as follows:

Agri-Food Equity Fund

($ thousands)

	Budget	Actual	Variance Over (Under)
Beginning Balance	7,750	7,750	–
Additions	–	–	–
Reductions	–	–	–
Ending Balance	7,750	7,750	Nil

Explanation of Variance:
N/A

Appendix C – Saskatchewan Legislation Administered by Saskatchewan Agriculture and Food 2005-06

The Agricultural Credit Corporation of Saskatchewan Act

The Agricultural Equipment Dealerships Act

The Agricultural Implements Act

The Agricultural Operations Act

The Agricultural Safety Net Act

The Agricultural Societies Act

The Agri-Food Act

The Agri-Food Act, 2004

The Agri-Food Innovation Act

The Agrologists Act, 1994

The Animal Identification Act

The Animal Products Act

The Animal Protection Act, 1999

The Apiaries Act

The Apiaries Act, 2005

The Cattle Marketing Deductions Act, 1998

The Crop Insurance Act

The Crop Payments Act

The Department of Agriculture, Food and Rural Revitalization Act

The Diseases of Animals Act

The Expropriation (Rehabilitation Projects) Act

The Farm Financial Stability Act

The Farmers' Counselling and Assistance Act

The Farming Communities Land Act

The Grain Charges Limitation Act

The Horned Cattle Purchases Act

The Land Bank Repeal and Temporary Provisions Act

The Leafcutting Beekeepers Registration Act

The Line Fence Act

The Milk Control Act, 1992

The Noxious Weeds Act, 1984

The On-farm Quality Assurance Programs Act

The Pastures Act

The Pest Control Act

The Pest Control Products (Saskatchewan) Act

The Prairie Agricultural Machinery Institute Act, 1999

The Provincial Lands Act *

The Sale or Lease of Certain Lands Act *

The Saskatchewan Farm Security Act *

The Saskatchewan 4-H Foundation Act

The Soil Drifting Control Act

The Stray Animals Act

The Vegetable, Fruit and Honey Sales Act

The Veterinarians Act, 1987

The Veterinary Services Act

The Wascana Centre Act

*** Joint responsibility**

Appendix D – Special Purpose Funds and Agencies with Legislative Responsibilities to Saskatchewan Agriculture and Food as of March 31, 2006

	Year End
Special Purpose Funds (Financial Statements are tabled separately)	
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Pastures Revolving Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31

(Copies of audited statements are available from SAF Corporate Services)

Agencies (Annual Reports are published separately)	
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agri-Food Council	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Irrigation Crop Diversification Corporation (ICDC)	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Agencies under the Agri-Food Council

Canaryseed Development Commission of Saskatchewan
Chicken Farmers of Saskatchewan
Saskatchewan Alfalfa Seed Producers Development Commission
Saskatchewan Beekeepers Development Commission
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Canola Development Commission
Saskatchewan Egg Producers
Saskatchewan Flax Development Commission
Saskatchewan Forage Seed Development Commission
Saskatchewan Mustard Seed Development Commission
Saskatchewan Pulse Crop Development Board
Saskatchewan Sheep Development Board
Saskatchewan Turkey Producers' Marketing Board
SaskPork

Appendix E – Assistance to General Agricultural Interests

Third Party Funding (Transfers):	($ thousands)
Agriculture in the Classroom (Sask.) Inc.	50
Crop Development Centre	150
District # 32 ADD Board	125
First Nations Agricultural Council of Saskatchewan	120
Institute of Agricultural, Rural and Environmental Health	90
Natural Valley Farms	630
Prairie Diagnostic Services Inc.	2,400
Prairie Genome	4,600
Provincial Council of ADD Boards for Saskatchewan Inc.	131
Saskatchewan 4-H Council Inc.	300
Saskatchewan Agrivision Corporation Inc.	127
Saskatchewan Bison Association	50
Saskatchewan Food Industry Development Centre	400
Saskatchewan Food Processors Association	90
Saskatchewan Milk Control Board	50
Saskatchewan Organic Directorate Inc.	125
Saskatchewan Sheep Development Board	75
Saskatchewan Veterinary Medical Association	50
SeCan Association	100
Thomson Meats	1,112
University of Saskatchewan	50
Other Third Party Funding	1,239
Total	**12,064**

Appendix F – Regulatory Amendments

The 2005-06 regulatory agenda included:

- *The BSE Livestock Loan Guarantee Program Amendment Regulations, 2005* amended *The BSE Livestock Loan Guarantee Program Regulations* to allow lenders to extend loans with payments that were due in January and February 2005, without changing the payment months for future payments.

- *The Meat Processing Investment Rebate Program Regulations* to administer the Meat Processing Investment Rebate Program which offers a 15 per cent rebate on construction costs for new plant construction and expansion or move from provincial regulated or health inspected status to federally registered status or European Union status.

- *The Saskatchewan Chicken Marketing Plan Amendment Regulations, 2005* amended *The Saskatchewan Chicken Marketing Plan Regulations, 1978*, being Saskatchewan Regulation 387/78 to extend the number of terms a board member may serve, to reduce the stand-down period.

- *The Apiaries Regulations, 2005* repeal and replace *The Apiaries Regulations* to assist industry's efforts in minimizing the spread of diseases and pests of honey bees.

- *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2005* amended *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 1991* to repeal outdated guarantee provisions, change repayment provisions, increase the loan amount for purchases from members, provide assurance fund exemptions from losses and change provisions for refund of assurance funds.

- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2005* amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to repeal outdated guarantee provisions, change repayment provisions, increase the loan amount for purchases from members, correct the reference for exemption from branch inspection, change the requirements for selling of livestock, provide assurance fund exemptions from losses and change provisions for refund of assurance funds.

- *The Enhanced Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2005* amended *The Enhanced Cattle Feeder Associations Loan Guarantee Regulations* to increase the loan amounts available for members as well as provide an option for a loan extension of up to six months.

- *The Individual Cattle Feeder Loan Guarantee Amendment Regulations, 2005* amended *The Individual Cattle Feeder Loan Guarantee Regulations* to increase the loan amount for purchases from a family member or corporation shareholder.

- *The Canaryseed Development Plan Regulations* establish a refundable check-off similar to the structure successfully established for other development commissions.

- *The Dairy Manufacturing Plant Amendment Regulations, 2006* amended *The Dairy Manufacturing Plan Regulations* to repeal section 28 which prohibits the manufacturing of imitation dairy products and to update definitions and terminology.

- *The Sheep Development Plan Amendment Regulations, 2006* amended *The Sheep Development Plan Regulations, 1996* to update them within the context of *The Agri-Food Act, 2004* and to better reflect their current operations.

- *The Beekeepers Development Plan Regulations* establish a refundable check-off similar to the structure successfully established for other development commissions.

- *The Commercial Egg Marketing Plan Amendment Regulations, 2006* amended *The Commercial Egg Marketing Plan Regulations* to repeal the rate-of-lay (ROL) adjustment buy-back requirement.

- *The Crop Insurance Amendment Regulations, 2006* amended *The Crop Insurance Corporation Regulations* to finalize the program details for the 2006 crop insurance program.

- *The Bison Feeder Associations Loan Guarantee Amendment Regulations, 2006* amended *The Bison Feeder Associations Loan Guarantee Regulations* to increase the loan amount for purchases from members and provide assurance fund exemptions from losses.

- *The Sheep Breeder Associations Loan Guarantee Amendment Regulations, 2006* amended *The Sheep Breeder Associations Loan Guarantee Regulations* to define the time of loss, change repayment provisions, increase the loan amount for purchases from members and change provisions for refund of assurance funds.

- *The Sheep Feeder Associations Loan Guarantee Amendment Regulations, 2006* amended *The Sheep Feeder Associations Loan Guarantee Regulations* to define the time of loss, extend the loan term, increase the loan amount for purchases from members and change provisions for refund of assurance funds.